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NEWS SUMMARY

GENERAL

Nuclear sky spy debris peril

Debris from the Soviet spy satellite which fell out of orbit on Tuesday is probably on the ground and emitting "extremely dangerous" radiation levels, Mr. Barney Danson, Canadian Defence Minister, said in Ottawa.

Parts of the nuclear-powered satellite had been tentatively pinpointed near Baker Lake, a remote area of northern Canada. The source was being investigated by a Canadian and U.S. nuclear alert team.

The rays were dangerous and it might require tons of lead shielding to remove the debris, the Minister said. It was still impossible to estimate the size of the object on the ground and it could be days before it could be tackled.

Mr Alexei Kosygin, the Soviet Premier had sent a personal message to Mr. Pierre Trudeau, Canadian Prime Minister, offering complete co-operation in handling the satellite matter, Mr. Danson said.

The U.S. yesterday welcomed French disarmament proposals which include an international system of control satellites.

Tanks out in Tunis riots

Tunisia declared a state of emergency in the wake of bloody riots during yesterday's general strike. Several people were reported killed and a curfew was imposed on the capital. Tanks were used as violence flared in protest against attacks on trade union offices and the arrest of union members. Page 3

Ransom sought for Empain

Kidnappers of Baron Edouard-Jean Empain, the Belgian industrialist, have demanded a ransom from his family, who were reported to have received a letter written and signed by the baron. Paris police are convinced they are dealing with a professional gang whose motives are not political as had been supposed.

Salisbury setback

Hopes that a Rhodesian internal settlement might be announced in Salisbury before Monday's talks between Britain and the Patriotic Front diminished last night after a day of inconclusive talks. Back and Page 3

Ship blows up

A Liberian freighter, Eva Maria, 9,966 tons, carrying three tons of explosives, blew up in the Gulf of Mexico yesterday. Its crew of 28 are missing.

Immigrant check

Twelve foreign restaurant workers were rounded-up in a Scotland Yard swoop in London's West End. The men—from Egypt, Sudan, Greece, Cyprus and Spain—were thought to have entered the country as students.

Rail fares report

A Price Commission report on British Rail fares which is due out next month is expected to criticise the policy of higher increases for commuter fares. Page 7

Briefly . . .

Nine people were arrested in Greater Manchester last night after hundreds of demonstrators besieged a National Front meeting at Hyde Town Hall.

Water supply systems in many large U.S. cities have excessively high levels of chemicals known to cause cancer, the U.S. Environmental Protection Agency warned. Page 4

Five prisoners were injured when riot police stormed Madrid's Carabanchel prison to break up a mutiny.

A Blizzard, battered the U.S. middle west, shutting down businesses.

BUSINESS

Gilts fall as Bank stop MLR cut

● GILTS suffered widespread falls as the Bank of England stepped in to prevent a further cut in MLR to-day. The Bank gave a clear signal through its intervention in the money markets that it did not want the rate to come down from its present 6½ per cent. Falls of ¾ in longs and ½ in shorts were extended in inter-office business and the Government Securities index closed 0.42 down at 76.37.

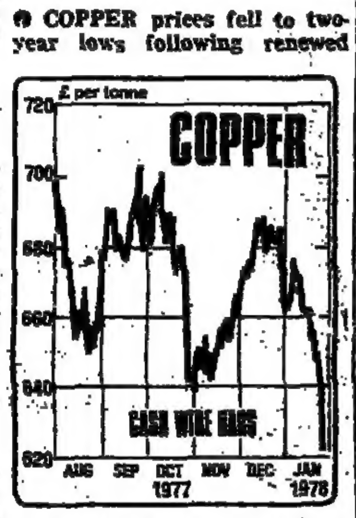
● EQUITIES were affected by the Midland Bank rights issue, and the FT Ordinary index closed 7.4 down at 475.8.

● STERLING closed unchanged at $1.9525, and its trade-weighted index was 66.5 (66.4) its highest since April 1976. The dollar's depreciation narrowed to 4.86 (4.89).

● GOLD fell $2 to $175½.

● WALL STREET closed 9.1 down at 763.34, a new low for the year.

● COPPER prices fell to two-year lows following renewed



speculative selling. Cash wirebars closed £12.25 down at £622.25 a tonne. Page 29

● U.S. basic money supply—M1—rose to $337.4bn. ($336.6bn.) for the week ended January 18, and the broader M2 to $812.0bn. ($810.6bn.), seasonally adjusted.

● EEC COMMISSION has prepared a strategy to encourage European investment in raw materials industries of the Third World in order to ensure the Community's supplies of raw materials and promote industrialisation of poorer countries. Back Page

● NCB figures show a rise in productivity in areas which have adopted productivity schemes, especially in the Midlands pits. There faceworkers at several pits have earned more than £30 a week extra in bonus payments. The last stronghold of resistance to the schemes, in South Wales, has gone, when miners voted to drop their opposition. Pages 6 and 8

Callaghan warns Leyland

● BRITISH LEYLAND has been warned by the Prime Minister that the Government has done all it can to rescue the company, and that its survival depends on management and workers. Meanwhile, another two BL directors have resigned. Back Page

● ROLLS-ROYCE is likely to need a substantial injection of development money for new engine programmes over the next five years. Page 7

● DAVY-LOEWY of Sheffield has won a £88m. plant contract for the Minas Gerais steel complex in Brazil, taking total U.K. contracts to more than £235m. Page 4

COMPANIES

● INCHCAPE reports pretax profits at half time only marginally improved at £34.42m. against £32.87m. Page 21 and Lex

Europe poll win as Ministers try to save devolution

BY RICHARD EVANS, LOBBY EDITOR

The Government seems set to complete the European Assembly elections Bill on target after achieving the guillotine on the committee stage, the major Parliamentary hurdle, by an impressive majority in the Commons last night.

Victory by 314 votes to 137, a majority of 177, did something to restore Ministers' bruised morale after the defeats this week on the "green pound" and on the Scotland Bill, which threatened to wreck the Government's devolution plans.

Ministers intend to table compromise amendments to the Scotland Bill that seek to reverse some of the damage done, but the prospects of success seem remote.

The handsome guillotine win means that the remaining stages of the Bill legislating for direct elections to the European Parliament should be rapidly completed in a further three days of debate, and the measure should reach the Statute Book by the summer.

This will give ample time for the Boundaries Commission to draw up the 81 constituencies, and for the elections to take place by the new target date of May or June 1979.

Ministers feared that had the guillotine been lost, opponents of the Bill on both Labour and Tory benches would delay its passage interminably, and prevent the measure reaching the Statute Book at all this session.

A hard core of 61 Labour MPs carried out their threat to vote against the guillotine timetabling debate, but the revolt was well contained by the stern warning to the Parliamentary Labour Party by Mr. James Callaghan last Tuesday, coupled with a hint that he would consider resignation if the Bill foundered.

Only four Cabinet Ministers took advantage of the Government's two-line Whip, which allowed abstention without fear of disciplinary action.

> **Only 38 per cent. of Scottish voters would support the devolution Bill in a referendum, according to a poll carried out by the Scotland is British Campaign.**
>
> **Parliament, Page 10**

They were Mr. Anthony Wedgwood Benn, the Energy Secretary; Mr. Stan Orme, Minister for Social Services; Mr. John Silkin, Minister of Agriculture; and Mr. Peter Shore, Secretary of the Environment.

Two former anti-Market rebels, Mr. Albert Booth, Employment Secretary, and Mr. Bruce Millan, voted for the guillotine.

The Conservatives were also divided on the issue, though partly for technical rather than ideological reasons.

The Labour rebels were joined by 61 Tories, the Scottish National Party and some Ulster Unionists in voting against the guillotine. But 151 Tories backed the Government's policy.

The legislation appears safe, although nothing can be certain in the present session, as the past week has shown, partly because the Labour rebellion was contained and partly because of a policy decision in the Tory leadership in the last few days.

When the guillotine was announced a week ago it appeared that about half the Tories would oppose it on the groundst hat they refused to aid the Government's legislative programme.

But since then party leaders have said behind the scenes that for the party to be seen taking an anti-EEC stance would be widely misinterpreted.

The outlook for the Government is far less promising on the Scotland Bill, partly because opposition comes from a much wider spectrum of the Labour Party, as well as from the Tories.

Ministers will find it hard to meet the diverse arguments against their devolution proposals.

After a prolonged inquest yesterday, including a discussion in Cabinet on the extraordinary events that led to serious obstacles being placed in the path

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Politics To-day Page 19

Swan Hunter may lose another deal

BY IAN HARGREAVES AND CHRISTIAN TYLER

SWAN HUNTER, the Tyneside shipbuilder, faces the loss of a lucrative Royal Navy contract because of labour problems which yesterday formally sealed its exclusion from the £115m. merchant ship order for Poland.

This further threat to jobs at Swan Hunter emerged as the group's chance to retrieve four ships from the Polish contract disappeared with the refusal of boilermakers' shop stewards to give a guarantee of normal working.

The Navy apparently is anxious to place immediately an involvement contract with Swan Hunter. This would permit the ordering of materials for its third through-

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> **Japan cutbacks, Back Page**

deck cruiser. The Navy has been told it cannot do so in the present circumstances.

Although the Navy would not confirm this position last night, it was believed in the industry that the placing of the contract was imminent. This single vessel could be worth almost as much as the entire Polish order, although it has never been officially valued.

Vickers and Swan Hunter each has a cruiser under construction, but the Navy is known to have preferred the Tyne yard for its third contract. A period of negotiation similar to that which has spun out the Polish negotiations now seems likely.

The boilermakers' decision came as Mr. Michael Casey, chief executive of British Shipbuilders, was signing the contracts in Poland. It will damage Swan Hunter's chances for other orders it is pursuing, and it bodes ill for union leaders' efforts to find a permanent solution to historic inter-union pay grievances on the Tyne.

About 800 jobs are thought to be at risk as a result of the Polish affair, but an announcement from Swan Hunter is not expected for 10 days. Loss of the Navy order obviously would make the position much worse.

Shop stewards at the Govan yard on the Clyde, which has been given the bulk of Swan's lost orders, are meeting to-day. They are thought unlikely to black the extra work, but before taking any decision they will ask officials of the Confederation of Shipbuilding and Engineering Unions to handle these allocation problems in future.

Mr. James Airlie, stewards' convener, said: "I do not believe that, if there is any danger to the Polish order, it should be solely on the decision of the Govan shop stewards' committee."

Govan is to get three of the four ships lost as a result of the Tyneside boilermakers' refusal to return to their flexible working arrangements and to drop a pay claim which is said to be a breach of the Government's Incomes policy and the TUC's 12-month rule.

It has already taken one of three other Polish ships reallocated when Swan Hunter's

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Midland plans rights issue

By Michael Blanden

MIDLAND BANK announced yesterday that it was asking shareholders to put up £96.4m. of new capital in one of the biggest rights issues made.

The news brought sharp falls in the prices of all the big four banks' shares, with Midland ending with a drop of 27p at 370p. Barclays was down by 25p at 320p, National Westminster lost 22p at 268p and Lloyds fell 20p to 268p.

Other big banks were reluctant to comment on their own prospects, though National Westminster indicated that it was not planning a rights issue.

Barclays, the only one of the big four which did not make an issue in the last round in 1975-76, said that its capital requirements were kept under constant review.

The setback in prices came in spite of a profit forecast from

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Midland which indicated rather better figures than expected.

The directors estimated, on the basis of unaudited management accounts, that the group consolidated profit before tax for 1977 would be around £190m., a gain of some 14 per cent. over the previous year.

The bank said that its local and international business had continued to expand, creating the need for more resources. Part of the funds required had been supplied by profit retentions and by the $300m. subordinated loan capital raised in the Eurodollar market in the past 2½ years.

Midland's directors believed, however, that it was now "desirable to increase the equity capital base of the bank."

The issue will increase the bank's ratio of free equity capital to deposits from 1 per cent. to around 1.9 per cent. and is expected to improve the relationship between its equity and debt capital.

The issue of 29,987,740 new shares is to be made at a price of 330p a share. It will be on the basis of one new share for every five existing shares, and 21 shares for every £500 nominal of the bank's 7½ per cent. convertible subordinated unsecured loan stock 1983-93.

The profit figures indicated that after the sharp jump to £102m. in the first half of last year Midland suffered a setback in the second half to around £88m.

£ in New York

—	January 26	Previous
Spot	$1.9490-9500	$1.9520-9530
1 month	0.03-0.08 prem	0.02-0.05 prem
3 months	0.37-0.42 prem	0.28-0.32 prem
12 months	0.86-0.65 prem	3.63-0.75 prem

Government to repay $1bn. IMF loans early

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT has decided to repay $1bn. of its borrowings from the International Monetary Fund well ahead of the due dates.

This was revealed during Commons Question Time yesterday by Mr. Denis Healey, the Chancellor of the Exchequer.

The move will not effect the economic and financial guidelines agreed with the fund. Total borrowings from the fund are $4.89bn., due between 1979 and 1983.

The intention behind the Government's move is primarily to spread the hump of overseas debt repayment, as large amounts are due between 1979 and the mid-1980s.

This proces has already been started. Earlier this month it was announced that the Electricity Council would repay before time a $500m. loan maturing in 1982. On top of this, $260m. has been repaid early since October.

It is possible that further fund loans and other public sector debts may be repaid before time this year, when borrowings totalling $950m. mature anyway.

Consequently it is likely that about $3bn. of the U.K.'s official overseas debt may be repaid this year out of a total of nearly $20bn. due between now and the mid-1980s.

This means that the whole of this year's estimated current account surplus of $2.9bn. (£1.5bn.) will be absorbed by debt repayment.

The Government clearly wants to take advantage of the current account surplus while it is still substantial, following the five-fold rise in the official reserves in the last year.

The new repayment to the fund will mainly involve the first credit tranche of $850m. drawn in May 1976 and maturing in 1979-81. This tranche helps the liquidity of the fund most and will enable it to assist other borrowers.

Repayment of the other tranches and the oil facility is of less direct help to the fund, since the money mainly returns to the big surplus countries. The precise timing of repayment of the first tranche has not yet been resolved.

The Government will decide in May, in consultation with fund staff visiting London, whether to continue or dispense with the standby facility. It is highly likely that the agreement will end then, although this will make little practical difference, as the guidelines are not a significant constraint on U.K. policy. This issue is completely separate from repayment.

Apart from early repayment of loans, the U.K. is also seeking new borrowing with maturity dates after the peak repayment years of the early 1980s, where this is available.

Since October, a total of $400m. has been raised overseas by public sector bodies.

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Richardson stays as Bank chief

BY MICHAEL BLANDEN

MR. GORDON RICHARDSON has been re-appointed for a second five-year term as Governor of the Bank of England, it was announced yesterday.

The appointment, widely expected in the City, takes effect from July 1. Mr. Richardson, 62, was made Governor in succession to Lord O'Brien in July, 1973, at the start of a particularly eventful period in banking.

In domestic policies, the Bank has played an important part in the adoption of monetary policy and of specific monetary targets as a major element in the Government's economic strategy.

During his first five year stint Mr. Richardson has seen through the fringe bank crisis in the U.K., during which he played a central role in establishing the lifeboat support group to avert a much wider crisis of confidence.

He has played his part in the development of co-operation among central banks in the establishment of responsibility for international banking activities.

The past five years also have seen repeated foreign exchange market crises and pressure on the pound, followed by the sharp reversal of the past year with renewal of confidence in sterling—partly as a result of the central bankers' agreement on the safety net for sterling balances.

Reed cuts back in South Africa

BY RICHARD ROLFE JOHANNESBURG, Jan. 26.

REED INTERNATIONAL, which has greatly expanded its involvement in South Africa in the past four years, announced to-day that it is negotiating to sell the major part of its interests here to SAPPI, the pulp and paper manufacturing subsidiary of Union Corporation, and to Kohler Brothers, another Union Corporation subsidiary.

This move out of South Africa is Reed's first really significant decision in its attempts to reduce its heavy burden of debt.

Mr. Bas Kardol, the chief executive of Reed's South African interests, describes the deal as "purely commercial in its motivation."

[But in London the finance director of the parent company, Mr. David Cormie, said that there was a "complex of reasons" for Reed's desire to sell and made it clear that the company wished to disengage itself from South Africa.]

The official announcement, recording that the listings of SAPPI, Kohler and Reed Nampak had been suspended, indicated that negotiations would

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cover the disposal of Reed International's 62 per cent. stake in Reed Nampak as well as its 50 per cent. stake in Stanger Pulp and Paper, an R65m. venture with C. G. Smith and Co.

No financial details have been announced, nor have any merchant bankers been appointed to assist with the terms.

However, on the basis of pre-suspension prices, Reed Nampak was capitalised at R75m. with the shares at 310c of which Reed International's shareholding was worth R46m. SAPPI, in which Union Corporation holds over 50 per cent. was capitalised at R56m. on the pre-suspension quote of 195c, while the smaller Kohler Brothers, which is likely to be involved in the deal, was worth R12m.

Should the talks with SAPPI and Kohler be successful, Reed will retain subsidiaries in the republic—notably Spicers, Palladium, Tension Envelopes and the building industry interests under the Twyfords banner, with net assets of R20m. and a gross figure nearer R50m.

This is despite the sale, in August, of various other Reed subsidiaries, including Keartlands, to Reed Nampak, the group's 63 per cent. owned quoted subsidiary, for R8m.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Averys	163	+ 9
Boosey and Hawkes	204	+ 4
British Cinematgrph.	59	+ 7
Caledonian Cinemas	305	+ 15
Davy Intnl.	239	+ 5
Hales Properties	36	+ 4
Lonsdale Universal	85	+ 5
Mills and Allen	145	+ 10
Smallshaw (R.)	33½	+ 3
Sound Diffusion	49	+ 4
Turner Mnf.	119	+ 13
Western Canada Inv.	640	+ 80
Wigfall (H.)	262	+ 6
Wills (G.)	58½	+ 4½

FALLS

Exchequer 9½pc '82	£98	— ¼
Exchegr. 13½pc '86	£114½	— ½
Barclays Bank	320	— 25
Costain (R.)	260	— 10
Fitch Lovell	57	— 5
General Accident	224	— 8
GUS A	284	— 6
Harrisons & Crosfield	362	— 25
Hawker Siddeley	188	— 8
Inchcape	360	— 20
Marks and Spencer	146	— 4
Midland Bank	370	— 27
NatWest	268	— 22
Tate and Lyle	209	— 8
Turner and Newall	211	— 4
Vickers	187	— 11
Vosper	165	— 9
Yarrow	260	— 15
Anglo American	266	— 17
De Beers Dfd.	291	— 11
General Mining	£14½	— 1
Kloof Gold	474	— 23
Libanon	494	— 24
Messina	90	— 6
Randfontein	£33½	— 1½
Southern Malayan	245	— 10

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FEATURES

For latest Share Index 'phone 01-246 8026

Three Christian Democrats in new Portugal Cabinet

BY JIMMY BURNS

LISBON, Jan. 26.

THE PORTUGUESE Prime Minister, Sr. Mario Soares, announced his new Government here to-night at a hastily convened news conference following consultations with political figures lasting for more than a week. The final 15-man list of Ministers was approved by President Antonio Ramalho Eanes this afternoon. It consists of ten Socialists, three Christian Democrats an dtwo independents.

Sr. Soares described his new Government as having a "socialist base with personalities from the CDS" (*Christian Democrats*), with the exception of the Ministry of National Defence which is retained by the army in the person of Colonel Mario *Firmino Miguel, the Minister in* the previous administration. It was, he said, a very different Government from the first constitutional one, and "the circumstances which the country now faces are totally different."

The major innovation is that the Christian Democrats now take control of three Ministries —Foreign Affairs, Trade and Tourism, and a new body, the Ministry of Administrative Reforms.

The last named will be headed by Dr. Rui Pena, 38, a lawyer. Trade will be under Dr. Basilio Horta, 34, also a lawyer. The new Foreign Minister is Dr. Victor de Sa Machado, a lawyer aged 44.

Members of the Socialist Party who were regarded by the Christian Democrats during the negotiations as being dangerously Left-wing have not been included in the new Government, *thus removing obstacles to the* eventual compromise.

The new Socialist Minister of Finance, for example, is Dr. Victor Constancio, 34, a former vice-president of the Bank of Portugal and a man known for his outspoken views on an austere economic policy leading eventually to the entry of a strengthened Portugal into the Common Market. His Ministry combines the former Planning and Economic Co-operation and Finance Ministries.

The former Planning Minister, Sr. Antonio Sousa Gomes, goes to Housing and Public Works. The former Finance Minister, Dr. Henrique Medina Carrera, has no portfolio in the new Government.

The new Minister of Agriculture, Dr. Luis Sais, is expected to pursue the controversial policy of returning some of the land expropriated *since the military coup of 1974* to its original owners.

The new Government will start working to-morrow on their programme, which has to be presented for approval in Parliament before Thursday.

Sweden row over claim linking loans and uranium

By William Dullforce

STOCKHOLM, Jan. 26.

MR. OLOF PALME, the Social-Democrat opposition leader, claimed last night that Sweden had been borrowing heavily abroad against the guarantee of uranium deposits, which Mr. Thorbjorn Falldin, the Prime Minister, had no intention of developing.

The charge, made in a radio debate, was "categorically denied" by Mr. Falldin, whole Centre Party is committed to halting Sweden's nuclear power programme.

Mr. Palme said Sweden's Ranstad site contained 80 per cent. of Europe's uranium deposits and was a significant factor in the credit assessments of foreign lenders. But Mr. Falldin's Centre Party had been blocking plans for exploitation of the uranium by the State-owned LKAB mining company.

***The clash* came as the ruling non-Socialist coalition approaches another internal crisis over energy policy. Next month the Government will have to decide on credits for initial construction work on the country's eleventh nuclear power station.**

The Centre Party has so far refused to countenance further spending.

Yesterday the Federation of Industries handed Mr. Falldin a 30-page report calling *for* nuclear power capacity to be more than doubled by the 1990s, for a 25 per cent. increase in hydro-electric power and for the mining of 2,500-3,000 tons of uranium a year. This would cut Sweden's dependence on imported oil *from 70 to just over 40 per* cent.

The Federation argued that expansion of nuclear and hydro-electric power was necessary if Sweden was to continue to develop as an industrial nation and maintain its standard of living. Its programme would imply expenditure of Kr.6-7bn. (£660-£770m.), a year on nuclear and hydro-electric power, or twice as much as the present rate, already being challenged by Mr. Falldin's Centre Party.

EEC Commission borrowing plans

BY DAVID BUCHAN

BRUSSELS, Jan. 26.

EEC finance ministers will next month be asked to authorise the Commission to raise up to 1bn. European units of account ($1.23bn.) on the international capital markets for big energy, industrial and infrastructure projects.

As several member states, in particular West Germany, have insisted that the European investment bank use its long experience to manage the new Community loans, the Commission has after some reluctance now settled on a share-out of responsibility between itself and the EIB.

The Commission is to do the borrowing, and leave the Luxembourg-based bank, whose Board of directors is made up of national finance ministers, to administer the individual loans.

The new loan plan, prepared by M. Francois Ortoli, the EEC Finance Commissioner, covers "broadly similar areas" to those covered by existing EIB loans, a top bank official said to-day. But he pointed out that the bank has its own lending ceiling on any *one project—half the total cost,* or 80m. ua.

The "Ortoli" loan money, which would be raised in tranches with the approval of the Council of Ministers', could be used to top up the Community contribution to certain big projects.

Possible examples cited by officials are the creation of an Anglo-French electricity grid link across the channel, geothermal energy and North Sea oil development.

How the capital markets would react to the European Community borrowing under yet another name is still not known.

EIB officials *to-day did not see* "the Bank and the Commission getting in each other's way, unless the market becomes very tight."

Support for Lome pact human rights clause

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Jan. 26.

THE IDEA of including an explicit reference to the respect of basic human rights in the text of the next Lome Convention — the present one links the EEC and 52 African, Caribbean and Pacific countries — was backed to-day by the EEC Development Commissioner, M. Claude Cheysson.

But he suggested that it would be very difficult, politically and technically, to make the payment of aid funds under the convention conditional on observance by recipient governments of a code of humanitarian conduct.

Preparations are already under way in Brussels for the renewal of the first Lome Convention, due to expire at the end of this year. It provides for trade and aid arrangements between the EEC and a large part of the developing world, and embodies a fund to compensate commodity-*producing countries for losses in* their export earnings.

The idea of using the convention to try to enforce respect for human rights in the developing world was first broached *last* summer by the British Foreign Secretary, Dr. David Owen, following reports of widespread atrocities committed by the Amin regime in Uganda.

But, although the Nine agreed to halt any EEC aid to Uganda which could be used for non-humanitarian purposes, closer examination revealed that there were serious practical obstacles to stopping the automatic payments made through the Stabex commodity earnings fund.

M. Cheysson said to-day he felt that some reference should be made in the new convention *to the violation of human rights,* because the emotional public reaction which such incidents created in Europe could rob the EEC of popular support for its aid programmes. He said that he had discussed the subject with representatives of 25 Convention signatories.

It is understood, however, that the Commission is reluctant to press the issue too hard. A number of developing countries have said that, if human rights are to become a major topic of attention in their relations with the EEC, they will want to raise questions concerning policies of European governments on matters such as equality of employment and treatment of immigrants.

Bonn bugging outcry revives

BY JONATHAN CARR

BONN, Jan. 26.

HERR GEORG LEBER, the West German Defence Minister, is coming under renewed pressure to resign, following revelations in Bonn of another "bugging" affair.

This time not only members of the opposition parties are demanding that the Minister step down. Criticism is growing in his Social Democrat Party (SPD) and in its coalition partner, the Free Democrats (FDP).

Much of this criticism is more in sorrow than anger. Most deputies recognise the services Herr Leber has rendered as a Minister for more than 11 years in Bonn, almost six in the arduous defence job. Nonetheless, the feeling is now strong that he should step down as *soon as a moment comes* when he can do so with honour.

This week, it has been confirmed that the apartment of one of Herr Leber's secretaries was bugged by the military counter intelligence services (MAD)—without Herr Leber's knowledge—in 1974.

Herr Leber had known the secretary was being investigated and was soon told that suspicions against her proved groundless. She is still in his employ. But he was only told of the bugging *early* last year.

Bonn was then involved in the "Traube affair"—when Herr Werner Maihofer, the Interior Minister, came under fire for permitting the bugging of the house of an atomic scientist suspected of associating with terrorists.

Herr Maihofer told the Bundestag this had been the only such bugging incident. It now transpires that neither he nor Chancellor Helmut Schmidt had been told by Herr Leber of the incident involving the Defence Ministry secretary.

This matter on its own might not have raised a great stir. But *it follows* a series of other damaging incidents in Herr Leber's sphere of authority, particularly the revelations late last year of the betrayal of military secrets to East Germany.

The immediate question asked is whether Herr Leber has full control of his Ministry and of *the activities of military counter*-intelligence.

Marked fall in French inflation

By Robert Mauthner

PARIS, Jan. 26.

THE GOVERNMENT'S morale, undermined by the poor showing of the coalition parties in France's latest *pre-electoral* opinion polls, was boosted to-day by December price index figures. These show a marked slowing of inflation.

After increasing 0.4 per cent. in November, prices rose only 0.3 per cent. last month, giving an overall inflation rate for 1977 of 9 per cent., against 9.9 per cent. in 1976.

During the last quarter of 1977, inflation ran on an annual basis at no more than 6.2 per *cent. compared* with 8.2 per cent. in the same period of 1976. Prime Minister Raymond Barre's target *of* about 8 per cent. inflation in 1978 has thus become more realistic than it once *seemed* despite scheduled rises in rents, public tariffs and petrol in January and February this year.

Last month's increase was the lowest since December, 1976, and January, 1977, when prices were kept down artificially by a temporary freeze and VAT reductions. *Food prices, particularly* of coffee, fruit and vegetables, which were mainly responsible for the sharp jump in the index last autumn, have remained stable for the last two months. Prices of manufactured goods are rising moderately after big increases in October and November, provoked by a sharp rise in textile prices.

Better inflation figures have gone hand in hand with improved trade performance. A December *surplus of Frs.1.66bn.* (about £180m.) crowned progressive reduction of monthly deficits in late 1977, marred only by a large, freak shortfall in November. This enabled the overall 1977 deficit to be cut to Frs.11.07bn., little more than half the 1976 shortfall.

Progress has been made towards reducing unemployment, though this still exceeds 1m. The National Institute of Statistics, in its latest review, indicated *unemployment was still the* Achilles' heel of M. Barre's economic recovery programme.

Berlinguer reaffirms demands

BY DOMINICK J. COYLE

ROME, Jan. 26.

THE CENTRAL Committee of the Italian Communist Party met here this evening to hear Sig. Enrico Berlinguer, the party's secretary-general, reaffirm its demand for direct Communist participation in government.

Sig. Berlinguer's speech was directed not just to the Central Committee but also, indirectly, to Sig. Guilio Andreotti, the outgoing Prime Minister, who is now endeavouring to form a new administration.

Just before the PCI meeting, Sig. Andreotti met leaders of his Christian Democrat Party. He is to see senior trade union leaders to-morrow.

The Communist secretary-general reaffirmed his demand for an "emergency government" to tackle Italy's mounting economic recession and politically motivated violence. He claimed that the "current tensions" in the country demand immediate collaboration and a unified policy between all the democratic forces. A change in the country's political framework was, he said, essential.

His speech was essentially hard line (as was to be expected), considering the occasion), in that he reiterated his party's demand for Cabinet positions in the next Administration.

He even advocated, as "an hypotheses but *not a submitted* proposal" that, in effect, the Christian Democrats, who have ruled Italy for more than 30 years, should now move into opposition and support indirectly a Left-wing administration in which the Communists would predominate.

Yet he did just give a hint of possible compromise when he referred to the Christian Democrat refusal not only to accept *Communist* participation in Government, but the party's inclusion in "a negotiated, acknowledged and explicit majority."

This latter formula, to which Sig. Andreotti is thought to be attracted in his current efforts to form a new government, could entail all-party agreement on an emergency economic and social programme, which the Com*munists* would support directly in Parliament.

However, since it would entail an open acknowledgement by the Christian Democrats that Communist support was *essential for* the governments survival, it is still being rejected strongly by a vocal element within Christian Democrat ranks.

The alternative to such a formula, whether negotiated by Sig. Andreotti or another prime minister-designate, would still appear to be *fresh elections*, something which Sig. Berlinguer claimed this evening many Christian Democrat parliamentarians favoured, but one to which his own party remained opposed as it would not be in the national interest at this difficult and delicate time.

New leaders for industry

BY OUR OWN CORRESPONDENT

BONN, Jan. 26.

WEST GERMANY'S two top employers' organisations have found new leaders to succeed Dr. Hanns Martin Schleyer, who headed both until murdered by terrorists last October.

The next president of the Federation of German Industry (BDI) is to be *Dr. Nikolaus* Fasolt, aged 56. He is a leading figure in the ceramics industry, a brilliant linguist—and a relative of the writer Vladimir Nabokov.

The boss of the Federation of German employers association (BDA) will be Dr. Otto Esser, aged 60, a *man of long* experience in the chemicals sector. He has been acting president since Dr. Schleyer's death.

Both men will be proposed at extra-ordinary meetings of members of the respective extra-ordinary meetings of seem certain to be voted in unopposed.

Home appliances production rise

BY GUY HAWTIN

FRANKFURT, Jan. 26.

WEST GERMANY'S *domestic* appliance manufacturers saw output increase by a real 5 per cent. last year to reach DM9.1bn. (£2.22bn.). This year is expected to produce further, although somewhat slower, growth with output increasing by between 2 or 3 per cent.

A *report* by the *Zentralverband* der Electrotechnischen Industrie (ZWEI), the central association of the electrotechnical industry, said that the domestic appliance manufacturers last year accounted for 12 per cent. of the electrical sector's production.

This year, in spite of the sales increase, capacity utilisation in the domestic appliance sector was expected to remain at an unchanged 70 to 80 per cent., *while the number employed in* the industry was expected to remain stable at 84,000.

*Home demand for domestic ap*pliances went up by a real 4 per cent. In contrast to previous years, large appliances sold rather better than small ones. Growth in the small machine sector amounted to about 4 per cent., and sales of the large household appliances increased by between 5 and 6 per cent.

Overseas sales were adversely affected both by the current economic climate of weak *demand in the European market* and also by the strengthening of the deutschemark against the currencies of many of West Germany's most important trading partners. Exports were worth some DM3.4bn., a real 3 per cent. up on 1976's performance. Imports, at the same time, rose by 7 per cent. to DM1.5bn.

The largest sales increase came *in the electrical motor sector,* where turnover went up by a nominal 9 per cent. to DM2.85bn. Production of electrical heaters rose by 6 per cent. to just under DM2.8bn., and refrigerator sales grew 6.5 per cent. to DM1.7bn. Washing machines fared much worse, with turnover advancing by 0.5 *per cent.* to DM1.8bn.

Adrian Dicks reports from Bonn: The West German dock strike, affecting 18,000 workers in the country's seven largest *ports, ended its second day* this evening with no sign of any fresh peace initiative. But there was an indication that the public service union OTV, which is organising the strike, might settle for less than the 9 per cent. it originally claimed when Herr Siegfried Merten, deputy *president of the union, said* he expected at least "a six before the decimal point."

Banks' liquidity ratios increased 6%

By Our Own Correspondent

STOCKHOLM, Jan. 26.

SWEDEN'S Riksbank (Central Bank) announced to-day an unprecedented increase from next month of 6 per cent. in the *obligatory liquidity ratios of* the three largest commercial banks. The other commercial banks' ratios will go up 5 per cent.

The move has been prompted by the Kr.33bn. (£3.7bn.) deficit in the 1978/79 budget submitted earlier his month, which *would increase bank liquidity* and threaten higher inflation.

The Riksbank says that it cannot permit an uncontrolled credit expansion to reinforce the increase in the money supply, which will be created by the budget deficit. It adds that a tight domestic money *policy must be maintained to* induce Swedish companies to continue borrowing abroad.

Soviet output rises 5.7%

BY DAVID SATTER

MOSCOW, Jan. 26.

SOVIET INDUSTRIAL production increased by 5.7 per cent. during 1977, an improvement over last year's increase of 4.8 per cent. but still the second lowest annual increase in industrial output since the second world war.

The final 1977 figure exceeded the plan target, which was 5.6 per cent., *but was still consistent* with the steady decline in the increase in Soviet industrial production since the 1950s when Soviet industry grew at annual rates of between 10 and 16 per cent.

Preliminary results which did not break down the production figures into results for heavy and light industry or give the important figure *for the increase* in labour productivity were published to-day by the Communist *Party newspaper Pravda* in a report on a meeting of the Soviet Council of Ministers.

Pravda said that all Soviet *Ministries and Ministries in the* union republics met their plan targets with the exception of the Soviet Ministry of Ferrous Metallurgy and the Ministry of Meat and Milk Production.

The final Soviet grain harvest figure was given as 195.5m. tonnes and the Soviet Union was said to have a record cotton crop, previously announced as 8.7m. tonnes, and a record rice crop. No final figure was given for the rice crop but the previous record was 2.2m. tonnes.

Pravda said the meeting of the Council of Ministers noted that despite overall plan fulfilment, the Soviet Union's 1977 economic performance was plagued by a variety of "shortcomings" on the part of the Soviet Ministries. Including the failure to enlarge *capacity, finish construction* projects and install needed equipment.

Norway accord on F-16

By Fay Gjester

OSLO, Jan. 26.

AN AGREEMENT has been reached between Norway and the U.S. which will allow Norway to supply parts for U.S.-built F-16 fighters, as foreseen in the Norwegian-U.S. purchase agreement for this aircraft, without violating strict Norwegian regulations concerning exports of military equipment.

After prolonged and difficult negotiations in Washington, the U.S. Government has issued a carefully-worded statement promising that "every effort will be made" to ensure that the Norwegian-made parts are installed on F-16s destined for NATO countries.

Though it does not specifically say so, the statement implies that Norwegian parts will not normally be installed on aircraft ordered by countries at war or likely to be involved in war.

Engineers inspire Citroen's post-merger revival

BY TERRY DODSWORTH

BRITISH LEYLAND'S spectacular financial collapse in 1974 was the sympton of a deep malaise in the smaller-sized European motor companies. While the U.K. Government put together an expensive rescue plan for its biggest exporter, the French Government moved in to assist Citroen, pushing it into the arms of Peugeot rather as British Leyland had been thrown together from British Motor Holdings and Leyland Motors in 1968 Only a few months later the disease spread to Daf in Holland, resulting in yet another Government-backed rescue and the sale of Daf cars to Volvo.

The fact that neither Leyland nor Volvo has fared well since then suggests that there is a great *deal of force behind the argu*ment that medium-sized producers in Europe are being forced into a corner. The battle has been going unmistakably to the big battalions in recent years — Ford, Fiat, Volkswagen, Renault and General Motors. If the trend continues, and the big battalions grow even bigger as they grow more multinational, what place will they leave for their smaller competitors?

Citroen's progress in the past three years offers an intriguing possibility of survival. Only a few days ago it paid back the Frs.1bn. loan (£111m.) which it raised from the Government during the crisis of 1974. It no longer needed *the money because* it had been able to restore its normal lines *of bank credit.* "To be in debt to the state was like being in debt to a pawnbroker. I was not pleased to be living on the silver plate of my grandfather," says George Taylor, president of the group.

Under Taylor's stewardship the banks have been able to see a steady financial improvement. In 1976, the company made a net profit of Frs.297m. (£33m.), after tax credits, and it will be in the black again in the 1977 financial year, when it will be paying normal rates of tax. At the same time, production has advanced steadily. It was up last year by 8.5 per cent. to 804,000 units (including 68,000 small commercial vehicles), and now stands at 35 per cent. more than the 597,000 vehicles produced in 1974.

What is really difficult to judge in the case of Citroen is how much of this success is due to its own individual efforts, and how much to the merger with Peugeot. If the company is viewed as a single unit, it is still only a medium-sized producer compared with other European competitors. *If it is viewed as* part of Peugeot, the two combined rank among the largest.

Taylor gives only a few clues to how the new scale of the combined enterprise has influenced Citroen. He himself is a living symbol of the amalgamation, for he came from *Peugeot along with a small man*agement team soon after Citroen was acquired. This team now holds several influential positions in the top management, including two places on the three-man management Board, and the directorates of personnel and finance.

French observers certainly feel that this rather limited management change has had a discernible impact on the way the business is run. The new team has brought with it a sharper attitude to costs—the labour force was trimmed by 12,000 to 52,000—and tighter, Peugeot-style financial controls. Taylor emphasises more human issues, the ways in which Citroen's latent energies have been *re-directed* and the long process of restoring morale to the company.

Of particular significance is his attitude to Citroen's fabled engineering department. For many years the company's reputation has been based on its advanced ideas on car design, *from front-*wheel drive to aerodynamics and pneumatic suspension. But in 1974 it was widely felt that the expense of this innovative tradition had hastened the company's downfall. Taylor says that it was close to bankruptcy because it did not use the *genius* of its engineers.

He believes that Citroen's unique engineering has a central role to play in the future. The company has pre-eminence in certain fields, such as aerodynamics and suspension systems, which it must use against the sheer scale of the bigger groups. "I cannot compete with Ford," he says. "It makes 5m. cars a year and we make 800,000. But you don't use the same weapons if you are a different size. Car companies are like women. Some are fair and some are dark. Some are large and some are small. So they do not dress the same."

Citroen's engineering department has been given its head. The question remains whether a company of its size can afford this kind of activity

Under Taylor's direction, Citroen's engineering department has undoubtedly been given its head. The company has signed a deal with Rumania, whereby it will design a completely new and different car for the Rumanian market, and new vehicles for France are in the pipeline. A *diesel engine* has also emerged since Taylor arrived.

The question nevertheless remains whether a company of Citroen's size can afford this kind of engineering activity. A similar argument is currently raging within British Leyland over whether *it should break up its* engineering facility and put the pieces under the control of the proposed new divisional car assembly organisations.

Taylor's answer to this conundrum is ambiguous. He concedes that one of the objectives of the merger with Peugeot was *to combine some resources.* For example, the two companies have announced a joint component manufacturing project, and Citroen has used a Peugeot body shell (from the 104) hung onto its own mechanicals to create its new LN model. But the engineering links still remain tenuous, confined to a small working party on advanced projects.

The most likely result is that *there will be a gradual integra*tion between the two companies, starting in non-controversial areas. The financial function is already co-ordinated; but the *progress towards combined* engineering will take much longer. "If there is to be integration it has to be very gradual, and it depends on the department," says Taylor.

Citroen and Puegeot have in some ways been lucky. Part of Citroen's problems in 1974 was *that it was caught in the middle* of an expensive investment in its new CX model, the luxury car which was to take over from the fabled DS, at a time when markets for big cars were fading. But the market has now come back, and the CX, with annual production running at 120,000 units, has proved a big success. Nor does Citroen, making about the same number of cars as British Leyland with fewer than half the labour force *(52,000* against 130,000), have the U.K. company's industrial relations problems.

But the Citroen revival does indicate that the merger is working. Taylor also believes that the success of the CX has provided what he calls the "loco*motive" to pull the* company out of trouble and give the rest of the range more exposure. Perhaps if Leyland could get its own locomotive—the new Rover range—out of its factories in real volume, it would provide the boost it so badly needs. After all, the Mini is only 19 years old, while the Citroen 2CV, still going strong, is in its 30th year.

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OVERSEAS NEWS

'Real progress' on the stalled Mideast talks

BY DAVID LENNON

TEL AVIV, Jan. 26.

THE Israelis and the Americans believe that real progress has been made towards agreement on a declaration of principles for a Middle East peace settlement.

Mr. Alfred Atherton, the U.S. Assistant Secretary of State, who has been negotiating with the Israelis for the past week, said to-day that he now has "a very good understanding of what Israeli views are."

After a 90-minute meeting this morning with Mr. Menahem Begin, Israel's Prime Minister, as well as the Foreign and Defence Ministers, he said he expects to be taking these views to Cairo next week to see what the Egyptian position is. Mr. Atherton will go to Jordan for consultation with King Hussein over the week-end and will also meet with the American ambassador in the region.

Mr. Moshe Dayan, the Foreign Minister, said to-day that agreement on the declaration of principles is within reach, provided the Egyptians do not artificially try to avoid or delay it.

The minister said that if the Egyptians did not agree to resume direct political talks, then there would be indirect talks.

[Israeli Deputy Prime Minister Yigael Yadin said in London yesterday the Cairo military negotiations between Israel and Egypt will reopen next week, AP-DJ reports.]

U.S. officials here were expressing cautious optimism about the prospect of renewing the political talks within a few weeks.

Israeli concern about the possibility of the U.S. selling warplanes to Egypt was voiced by Mr. Begin at to-day's meeting with Mr. Atherton.

The Israeli leader expressed his opposition to the idea of Washington agreeing to sell advanced aircraft to the Arab States. At the same time he said that he had no doubt that the U.S. would fulfil its long standing commitment to supply Israel with new war planes.

Ihsan Hijaji reports from Beirut: A crisis and disagreement appears to have developed between Syria and Jordan over President Sadat's Middle East initiative.

For the first time in two years, a Syrian official has publicly criticised the Jordanian attitude which has been favourable towards the Egyptian leader. Mr. Adbel-Halim Khaddam, Syrian Vice-Premier and Foreign Minister, said the Jordanian stand was incomprehensible because it did not serve the Arab interest or that of Jordan.

Last week-end, the government in Amman issued a statement expressing support of President Sadat's decision to suspend talks with Israel and calling upon the Arabs to rally around him.

Mr. Khaddam, speaking in a interview with the Lebanese weekly magazine Al Hawadith to-day, firmly rejected the possibility of any meeting with President Sadat.

He insisted that the Egyptian President should resign for "Sadat must pay for the evil he has done the Arab Nation," he said, and declared that Syria will not attend any Arab summit if Mr. Sadat attended even if the invitation was issued by Saudi Arabia.

Reuter adds: Arab hardliners announced plans to-day for an anti-Egyptian summit in Algeria.

The two-day meeting was set for next Thursday. Algeria said that Syria, South Yemen, Libya and the Palestinian Liberation Organisation would attend. Iraq, the leading hawk was not mentioned.

Meanwhile Arab military sources told Reuter in Beirut that lack of spare parts and maintenance have opened gaping holes in Egypt's air defence screen and reduced the country's military capability to its lowest level since the 1973 Arab-Israeli war.

The sources were said to be from a pro-Egyptian country and familiar with the Egyptian defence establishment. They described the state of the Egyptian armed forces as "dismal."

Bahrain to alter dinar parity with U.S. dollar

An official change in the parity of the Bahraini dinar to the U.S. dollar will be announced by the Bahrain Monetary Agency on Saturday morning, it has been confirmed in Bahrain, Doina Thomas reports. Informed sources in Bahrain suggest this could be an opportunity to link the currency to SDRs rather than to the dollar.

The United Arab Emirates Currency Board will also announce a new parity for the dirham on Saturday, and Qatar is expected to follow suit with the riyal.

The upward revaluation of these currencies is expected here to be slight, in the range of 3-5 per cent. Official dealings in these currencies were suspended on Wednesday.

No change is expected in the Saudi riyal which has been revalued by about 2 per cent. since last August.

Rates for the Bahraini dinar ranged between BD0.375 and BD0.383 to the dollar, compared with BD0.3958 last Saturday. The indicated rate for UAE dirhams ranged from Dh3.755 to Dh3.785 compared to last Saturday's rate of Dh3.8987.

Namibia talks

The five Western members of the UN security council are hoping to convene talks with South Africa on the Namibia question in New York on about February 8, our Foreign Staff writes. According to sources in New York, the meeting would be at ambassadorial level and would prepare the ground for talks between foreign ministers of the five and Mr. Pik Botha, their South African counterpart, four days later. At the same time, the five would hold "proximity talks" in New York with Swapo, the Namibian nationalist movement.

No oil price rise

The crude oil price, currently "frozen" at $12.70 a barrel, is unlikely to be raised prior to the next full ministerial conference of the Organisation of Petroleum Exporting Countries on June 15, Mr. Hamid Zaheri, Opec Press department chief, said yesterday, AP-DJ reports from Vienna.

Kenya loan

A big West German soft loan has completed the finance arrangements for the £60m. reservoir on Kenya's Tana River, the biggest water development scheme of its kind in Kenya. Other donors are Britain and the EEC, John Worrall reports from Nairobi.

Phosphate mine

A Moroccan delegation is in Moscow putting the final touches to an agreement for a new phosphate mine complex to be built by the Soviet Union in Morocco, according to the independent daily al-Maghrib, Reuter reports from Rabat.

AID FOR JAPAN'S SHIPBUILDING INDUSTRY

It looks too late for small yards

BY DOUGLAS RAMSEY

TOKYO, Jan. 26.

JAPANESE SHIPBUILDERS appear resigned to scrapping as much as 50 per cent. of their existing annual capacity by the end of 1979, and even then shipyards will have to operate at well below the reduced capacity unless there is a dramatic turnabout in the industry's fortunes. Behind closed doors on Wednesday, the Shipbuilders' Association of Japan agreed to press for further government aid to:—

- Subsidise their redundant manpower, and
- Stimulate domestic demand for ships to replace old ones. But few industry leaders expect Tokyo will move fast or far enough to rescue the many smaller yards now at the brink of bankruptcy.

Th shipbuilders met shortly after several yards announced plans for large-scale reductions in their workforces. Most drastically, the Hashihama Shipbuilding Company said last Monday that it will dismiss all its 707 workers in February after its failure to get State or bank help to avert bankruptcy. The shipyard sought protection from Y43bn. in debts last December, but has decided not to pursue the matter in court and instead reached agreement with its trade union on the yard's closure.

Another small yard, Hayashikane Shipbuilding, asked its trade union to-day for permission to cut the wages of its 2,400 employees by 10 per cent. this year. The union, fearing the alternative—bankruptcy—is likely to agree.

Hashihama was not a major force in the Japanese industry, but its bankruptcy has instilled a greater sense of urgency about overmanning at the medium-sized and larger shipyards. In the first category, Sasebo Heavy Industries has asked its 6,300-member union for permission to carry out wage cuts and a phased reduction in the workforce by 1,600 over the next 15 months.

The major yards all have plans to cut their shipbuilding payrolls. According to a recent survey by Nihon Keizai Shimbun, the eight biggest shipbuilders reckon they will have 25,000 too many workers by early 1979 if the world ship market does not pick up between now and then. At Kawasaki Heavy Industries, some 2,500 jobs could be cut. At Mitsubishi Heavy Industries as many as 5,000. All this, of course, on top of large-scale redundancies at the major shipyards among workers from sub-contracting companies which have felt the pinch first and are not large enough to guarantee "lifetime" employment benefits to their workers.

The recession in Japan's shipbuilding industry has got far worse since the yen's appreciation on foreign exchange markets. Since ship contracts are quoted in yen, most yards have been priced out of the market and they have encountered resistance among government officials to revert to dollar contracts. In 1977, as a result, the volume of ship export orders placed with Japanese yards fell by about 40 per cent. to 3.5m. gross tons (compared with 2.3m. gross tons the year earlier). The Japan Ship Exporters' Association (JSEA) recently noted that the drop in new orders was particularly steep later in the year, and was down 58 per cent. in the April-December period over the same period in 1976.

A more alarming statistic in the industry is the 9.4m. gross tons worth of back orders on Japanese books (at the end of November). Working at full steam, Japanese yards could get through the entire ship backlog in six months or less (present capacity in the industry is estimated at 19m. gross tons a year). In fact, since most of the big yards are only working at 50 per cent. of capacity and expect in the next year the ratio will fall to 30 per cent., the backlog could last into early 1979.

The integrated companies, for example, Mitsubishi Heavy Industries, are better prepared for lay-offs because there is some leeway to switch lifetime employees to other parts of the company's empire (notably, in this case, to Mitsubishi's booming car subsidiary). Smaller shipyards like Hashihama (and several smaller ones) are more exposed, and to judge from Hashihama's demise the Government's attitude in future will be to let the yards go broke and not rescue them.

The smaller yards would benefit if Tokyo made a conscious effort to stimulate Japanese demand for fishing boats and the like, but the home market shows no signs of recovering in 1977. In fact, the tonnage of ships launched by the seven largest shipbuilders for the domestic market fell by 75 per cent. (from 1.4m. gross tons to just 381,000 gross tons), while those launched for the export market fell by a relatively less awesome 31 per cent. (from 7.7m. gross tons to 5.3m. gross tons).

Tokyo eases foreign exchange controls

TOKYO, Jan. 26.

JAPAN will ease foreign exchange controls, further liberalising imports of gold and foreign currency deposits, the Finance Ministry announced on Thursday. The ministry officials said the new measures would take effect from April 1.

The measures would allow Japanese to import gold worth up to Y3m. ($12,500) without government

The standard trade settlement limits for advanced and deferred payment for imports will be set at one year and six months respectively, under the new measures.

A present prepayment is in principle banned, with the exception of machinery, for imports of more than Y1.8m., while the deferred payment limit is four months.

Advanced and deferred settlement limits for exports will remain at one year and six months respectively, the finance ministry said.

But settlement limits will no longer be applied to invisible transactions under the standard settlement system.

In future there will also be no limit on the amount of foreign exchange resident travellers can take abroad. At present amounts of over $3,000 require foreign exchange bank approval.

The limit on overseas remittances not needing approval will be raised to Y3m. or about $12,000, from the present $3,000.

The amount of Japanese currency travellers can take overseas will be raised to Y3m. from the present Y100,000 limit.

Residents will also be allowed to hold foreign exchange of up to Y3m. equivalent in domestic accounts. At present residents, with the exception of some corporate residents, can keep in accounts in Japan only "legally obtained foreign exchange such as that brought back from foreign travel."

Individual residents, if they receive Bank of Japan approval, will be able to hold foreign exchange accounts overseas. At present only certain corporate residents can hold such accounts, with central bank permission. Agencies

Owen faces tough Malta talks

BY MARTIN DICKSON

THE ALREADY difficult talks in Malta next Monday between Dr. David Owen, the Foreign Secretary, and Rhodesia's Patriotic Front, are likely to become even more problematical if an agreement is announced from the separate "internal" settlement talks in Salisbury.

Mr. Joshua Nkomo, the co-leader of the Patriotic Front, has already indicated that Dr. Owen will be under pressure in Malta to dissociate himself unequivocally from the Salisbury talks. He told a news conference in Lusaka this week that the Foreign Secretary's position towards the internal talks would have to be clarified in Malta before serious negotiations could begin. If an agreement, however limited in scope, does now emerge from Salisbury, Dr. Owen seems likely to be under even greater Patriotic Front pressure to condemn the internal discussions.

There is no sign of the British Government doing this. Although it is deeply suspicious of the Salisbury talks, the belief is that it must wait and see just what concessions the internally-based nationalists can gain from Mr. Smith, the Prime Minister.

The most Britain has said to date is that any internal settlement which excludes the Patriotic Front is unlikely to gain international acceptability, cannot bring about a ceasefire in the guerilla war and will not give peace and stability to an independent Zimbabwe. Dr. Owen pointed out in the Commons on Wednesday that the British Government, which alone can confer legal independence on Rhodesia, would not lend its authority to any settlement that failed to meet the principles laid down in the Anglo-American initiative.

Rhodesia suffered a net loss of almost 11,000 whites during 1977 through emigration—the largest such loss in the country's history. Official figures published yesterday show that white emigration increased 12 per cent. last year to total 16,638, while there was a fall of more than 26 per cent. in the new arrivals to 5,730—the lowest figure since the 1940s, Tony Hawkins reports from Salisbury. It means that at the end of last year, Rhodesia's white population fell some 3½ per cent. during the year to around 264,000.

Doubtless Dr. Owen will want to delay a verdict on the Salisbury negotiations for as long as possible, hoping that some way can be found to bridge the vast gulf separating the Patriotic Front and the internal talks. But the dilemma facing Dr. Owen can only become more acute, with Mr. Smith on the one hand and the Patriots on the other urging him to leap their way.

But it remains the Government's firm belief that unless the Patriotic Front is brought into the negotiations there will be no end to the Rhodesian fighting and that it is difficult to see fair and free elections being held while warfare continues.

Mr. Nkomo's wing of the Patriotic Front, in particular, is regarded as vital to a settlement. Over the past 18 months, Mr. Nkomo has built up what observers believe is a large and disciplined army, well trained in conventional, rather than guerilla warfare.

If Mr. Nkomo is not brought into a settlement, observers believe the chances of British recognition are slim.

Our UN correspondent adds: Brigadier Joseph Garba, Nigerian Commissioner for External Affairs and Security Council president this month, to-day attacked the proposed Rhodesian internal settlement, accusing Britain and the U.S. of ambiguity over Rhodesia. He also urged Western powers to take immediate measures to block the investment of new capital in

Somali captive identified as Cuban

MOGADISHU, Jan. 26.

A CUBAN captured by Somali forces in the Ogaden war says he is a combat soldier with three years service in his country's armed forces according to Somali reporters who interviewed him to-day.

They said the man, being held at Jijiga about 50 miles from the front line identified himself as Orlande Carlos. His rank was not given.

He was quoted as saying he was captured four days ago with several other Cubans when Somali forces attacked Ethiopian positions near the mountain city of Harar.

Ethiopia has repeatedly denied that any Cuban military personnel were in the country.

The latest Somali estimates say up to 7,000 Cuban soldiers are in Ethiopia, as well as up to 8,000 Russians. U.S. intelligence sources put the figure at about 3,000.

In Paris diplomatic sources said to-day that Mr. Raul Castro, the Cuban Defence Minister, and the Ethiopian President Mengistu Haile-Mariam escaped unhurt in an assassination attempt in Ethiopia two weeks ago. Reuter

Vietnam accusation

Vietnam yesterday accused Cambodian troops of murdering and disembowelling their own civilians and trying to blame the atrocities on the Vietnamese, Reuter reports. Hanoi also charged that Cambodian border troops have been told that Vietnam is their country's worst enemy and should be destroyed.

Teng on visit to Burma

By Colina MacDougal

VICE-PREMIER Teng Hsiao-ping, third in the Chinese hierarchy, left Peking yesterday for a visit to Burma. He is expected to go on to Nepal early next month.

While Vice-Premier Teng's visit underlines the outward-looking policy of the present Chinese leadership, a trip to two countries on China's periphery is probably a manifestation of the centuries-old Peking policy of preserving a ring of friendly states around its borders.

Sri Lanka disagrees with IMF

By David Housego

COLOMBO, Jan. 26.

MR. J. R. JAYAWARDENE, Sri Lanka's Prime Minister, confirmed to-day that his Government had been in disagreement with the International Monetary Fund over a package of loans to support measures to liberalise the economy.

He said in an interview here that the IMF had wanted the phasing out of all subsidies in November and an increase in rice, wheat and transport prices. This was politically unacceptable.

The Government, he declared, intended to phase out subsidies but "the timing must be ours."

As a result of the disagreement a proposed package of a stand-by loan and drawings on the extended fund and the Witteveen facility worth 350m. Special Drawing Rights over three years was replaced by a stand-by loan of $S93m. over one year. Mr. Witteveen, the IMF managing director, is due to visit Colombo this week-end for negotiations over further support measures.

Mr. Jayawardene, who becomes executive president on February 4 under amendments he has introduced to the constitution, made clear that he shared the IMF's concern at shifting Government expenditure out of welfare subsidies and into investment.

He described his first priority as creating more jobs and said that the Government was looking for this to four key projects—acceleration of the Mahaveli irrigation programme, development of suburban Colombo and the greater Colombo metropolitan region, and the proposed free trade zone. The current budget, he said, did not make provision for the additional capital outlay required by these schemes and the Government was looking for aid and loans.

Mr. Jayawardene said that he was prepared to make the free trade zone an area of nearly 200 square miles north of Colombo—"capitalists paradise." He said the Government had received a large number of interested enquiries from abroad

Further constitutional changes to be brought in include proportional representation to prevent the massive swing in votes that has resulted in a change of Government at virtually every election since independence.

Tunisian emergency in wake of strike

TUNISIA, Jan. 26.

THE TUNISIAN Government declared a nation-wide state of emergency to-night in the wake of riots during a general strike. Tanks were used against demonstrators and a curfew was imposed.

There was no official confirmation of the casualty toll but unofficial reports spoke of at least 10 dead and many injured.

Shots echoed sporadically through the deserted Tunis streets patrolled by armed police and military trucks. Unofficial reports said there had been trouble in the provinces as well as the capital.

The official Tunisian news agency accused vandals of opening fire in the capital "causing dead and injured among the security forces and their assailants." It said President Habib Bourguiba declared the emergency because of the "extremely grave situation."

The one-day strike was called by the General Workers Union in protest against recent attacks on trade union offices and the arrest of trade unionists.

Most industrial production in Tunisia was halted by the strike and many shops in the city centre were shut.

Earlier the Government had responded to the strike by warning that people in key enterprises controlled by the Ministry of Industry, Mines and Energy could be jailed for up to two years for stopping work.

Reuter

Kaunda prepares Zambia for its toughest budget

BY MICHAEL HOLMAN

NDOLA, Jan. 26.

WITH A further series of warnings about the difficulties the Zambian economy faces this year, President Kenneth Kaunda yesterday wound up his four-day tour of the country's Copperbelt.

The President's trip concluded his efforts to prepare the country for to-morrow's budget—widely expected to be the toughest since independence in 1964—by taking a message of austerity and agrarian reform to what is probably the key political and economic region.

It was also an opportunity for some political campaigning. Voting takes place to-day in the Copperbelt's Roan constituency by-election, in which one of the candidates is Alfred Chambeshi, a former official in the United Progressive Party (UPP), led until its banning in 1972 by Mr. Simon Kapwepwe, the former Zambian Vice-President.

Dr. Kaunda has called 1978 "the year of economic take-off" and maintains that an improvement will come by mid-year—a view not shared by many businessmen.

There are frequent signs of strain in the economy, and a steadily increasing import pipeline—goods ordered but not paid for—is now thought to total £350m., with some suppliers having waited more than a year for payment.

An IMF visit to Zambia last November concluded by giving Dr. Kaunda a frank assessment of the country's plight, and observers are expecting drastic measures in the budget.

Cuts in subsidies (9 per cent. of the 1977 estimates of expenditure) are almost certain, leading to higher food prices, including bread and maize meal, and making it unlikely that last year's 25 per cent. inflation rate will fall.

In addition, cuts in both recurrent and capital expenditure are possible. At the same time the Government must make up for the fall in mineral earnings, which were over half of government revenue in 1974 but dwindled to nil last year because of the slump in copper prices.

Both Roan Consolidated Mines and Nchanga Consolidated Copper Mines report serious financial difficulties. A seven-member commission is due to report soon on cost-cutting in the industry, and the companies will have to consider closure of unprofitable divisions with unavoidable redundancies.

ON OTHER PAGES

AMERICAN NEWS

Companies upset by car insurance decision

By John Wyles

NEW YORK, Jan. 26.

VEHICLE insurance companies in Massachusetts have been prohibited from basing their rates on a driver's sex and marital status, in a potentially far-reaching decision by the state insurance commissioner.

This move will strengthen challenges being mounted in many parts of the U.S. to the traditional practice by insurance companies of penalising the young, unmarried urban resident whose car insurance rates are often two or three times greater than those of the married adult in suburbia.

After 24 days of hearings, the Massachusetts Insurance Commissioner, Mr. James Stone, has displaced 11 driver classifications based on age, sex and marital status, by five new categories which are based more closely on driving experience.

In most parts of the country, a driver's premium is based on the total accident experience of all the drivers insured by the company within his class and geographical area. The base rate is then adjusted to reflect the individual's driving record and the extent to which he uses his car.

This system is bringing an increasing number of complaints from individuals who resent being lumped together with the more accident-prone driver and suffering the consequent cost penalty. The Hawaii and North Carolina legislatures already have rate discrimination based o nage and sex.

Predictably, the insurance companies are most unhappy about this challenge to their traditional ways and one has accused Mr. Stone of returning "insurance in Massachusetts to the dark ages of a cartel system with essentially uniform rates and a rating plan dictated by a regulator."

Chile disrupts progress on boundary row

By Robert Lindley

BUENOS AIRES, Jan. 26

THE CHILEAN foreign minister, Adm. Patricio Carvajal, to-day vigorously rejected the Argentine note declaring null and void the British Crown's arbitration of the beagle channel boundary dispute.

The Chilean move took the Argentine authorities by surprise. It had been understood here—after the summit meeting between the Argentine president, Gen. Jorge Videla, and the Chilean president, Gen. Augusto Pinochet, at Mendoza, Argentina, a week ago—that the dispute was to be frozen indefinitely, and that, to contribute to this, Chile would suppress its earlier decree accepting the arbitration decision which awarded three islets near Cape Horn to Chile.

The reverse in the progress of the negotiations on the dispute, which the Chilean rejection signifies, is expected to cause a resumption of belligerent statements from both sides. These had been stopped since it was announced that the presidents would hold a summit.

The sudden worsening of relations seems to have put Gen. Videla in a delicate position vis-a-vis the commanders of the navy and the air force. There are already assertions that he was taken in by Gen. Pinochet at the Mendoza summit.

New bid to ease Senate passage of Panama pacts

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, Jan. 26.

THE DEMOCRATIC and Republican leaders in the Senate have worked out a joint policy that appears substantially to enhance the prospects of ratification of slightly amended versions of the Panama Canal treaties.

Senators Robert Byrd and Howard Baker—respectively the Democratic and Republican leaders in the Senate—have agreed to insert two amendments to the treaties when the issue comes to the floor early next month.

They are based on the joint declaration, issued but never signed, by President Carter and Gen. Omar Torrijos, the Panamanian leader, on October 14.

This preserved the U.S. right of unilateral intervention in the canal, should its neutrality be threatened after 2000, when control is to be assumed by Panama, and provided for priority passage for U.S. ships in times of emergency.

Sen. Byrd took the unusual step this morning of testifying on the subject in front of the Senate Foreign Relations Committee, which has been holding protracted hearings on the treaties.

His strategy, broadly acceptable to the Committee hierarchy which must release the treaties before they can be debated by the full Senate, is that no amendments should be tagged on to the treaties in committee, but should be held for floor action.

An overwhelming majority of the committee endorsed the treaties, but acknowledged that they would have to be amended by the Senate.

Conservative opponents of ratification have promised countless amendments to the treaties in what promises to be a bitter fight in the full Senate. But Senators Byrd and Baker feel that the chance of passage is better if there is one all-out battle on the floor rather than staging two such battles, first in committee and then on the floor.

Gen. Torrijos is reported to have told many of the Senators who have been to Panama over the Christmas recess that he has no objection to amendments incorporating the October 14 declaration. It was not immediately clear if amended treaties would have to be submitted to the Panamanian electorate in a second plebiscite.

The Carter Administration, on the record, has been holding out for ratification of the original treaties as negotiated, with perhaps the addition of riders or some other devices reflecting the security concerns expressed by the likes of Senators Byrd and Baker.

But there have been signs behind the scenes that the Administration is coming round to the view that the amendments immeasurably improve the chances of ratification and therefore will have to be accepted.

Radical aid reform proposed

BY OUR OWN CORRESPONDENT

WASHINGTON, Jan. 26.

THE LATE Senator Hubert Humphrey's last piece of legislation, introduced in the Senate yesterday, proposes radical reforms in the U.S. foreign aid bureaucracy.

These include creation of a new Government agency, called the International Co-operation Development Administration, which would assume the functions now carried out by the Agency for International Development (AID), other State Department units, such as the Peace Corps, and segments of the U.S. Treasury now involved with foreign assistance.

It would also set up a new International Development Institute inside the Administration to oversee activities, such as those performed by the Peace Corps and to co-ordinate them with voluntary and humanitarian private programmes in the same fields.

The ICDA would be independent of the State Department, which AID is not, and its head would report directly to the President.

The voluminous piece of legislation also lays out basic standards and goals for administration of the foreign aid programme. It stipulates that the poorest nations deserve the greatest attention, that assistance should ensure that basic civil and human liberties are encouraged, and even suggests that the U.S. liquidate some foreign debts, provided that recipient countries invest the money which they owe in approved development projects.

In so far as Mr. Humphrey's Bill would streamline and upgrade the foreign aid bureaucracy, and thereby underline the U.S. commitment to external assistance, it appeals to the Carter administration. But it also contains provisions which are less easy for the executive branch to accept, such as specific congressional mandates.

With the presence in the Senate, at least until January of next year after a by-election in Minnesota, of Mrs. Muriel Humphrey, his widow, it may be difficult for the Senate hierarchy to ignore the Bill. Mrs. Humphrey has promised to play an active role in the Senate, having been appointed to the vacant seat by the state governor, and did not rule out contesting the by-election in November.

Water chemicals warning

BY DAVID BELL

WASHINGTON, Jan. 26.

THE U.S. Environmental Protection Agency has warned that water supply systems in many large U.S. cities have excessively high levels of chemicals which are known causes of cancer.

Mr. Douglas Costle, the EPA administrator, said that a sample analysis of water in 113 cities showed that 25 per cent. of them had high levels of carcinogenic chemicals and that 21 different known or suspected carcinogens were identified.

The EPA said that it was particularly worried by a group of chemicals formed when chlorine is added to water to kill bacteria. The use of chlorine to purify water supplies is common all over the world, the agency said.

The chemicals thus formed are known as trihalomethanes, or thms, and the EPA is proposing that cities which may have dangerous water should instal charcoal filtration systems forthwith.

More Belize talks soon

GUATEMALA CITY, Jan. 26.

GUATEMALA and Britain will resume formal negotiations about the future of the British colony of Belize in Washington at the beginning of February, the Guatemalan Foreign Minister, Sr. Adolfo Molina Orantes said to-day. He denied Press reports of a secret agreement for the partition of Belize, or for the construction of a $50m. oil refinery in Guatemala by Britain and the U.S.

Reuter

Hugh O'Shaughnessy writes: The U.K. Government continues to trust that a package of concessions will finally persuade Guatemala to relinquish its claim to sovereignty over Belize. A British package would contain concessions of some Belizean land and help for some Guatemalan capital project. If oil were discovered in any Belizean territory ceded to Guatemala, it is hoped in Whitehall that the Guatemalans would share any benefits with Belize.

Whitehall spokesmen have been at pains to deny reports of a reactivation of long-dormant Mexican claims to northern areas of Belize. The Mexican position continues to be one of support for any solution to the U.K.-Guatemala differences which finds favour with the Belizean electorate.

Meanwhile, Mr. George Price, the Belizean Premier, left London to-day and is expected to step up his search for a firm commitment of troops from Commonwealth and other countries which could be sent to Belize if the British garrison were to withdraw.

S. Africa 'leak' row

A group of U.S. Congressmen has accused a South African embassy official here of attending a secret State Department briefing which they received recently on South Africa, according to a letter made public yesterday, Reuter reports from Washington. In a sharply-worded letter to the South African ambassador, Mr. Donald Sole, the Congressmen charged that a member of the embassy information department attended the meeting last week, despite prior announcements that the briefing was only for Congressmen

Nicaragua strike into fourth day

President Anastasio Somoza of Nicaragua called an emergency Cabinet meeting yesterday as a general strike went into its fourth day and opponents called for his resignation, agencies report from Managua. The strike was called to back demands for a full investigation into the murder this month of an opposition newspaper editor, Dr. Pedro Joaquin Chamorro. The stoppage, backed by labour unions and employers, shut down most private businesses and cut off supplies of pasteurised milk.

The officially-recognised political opposition has called on Gen. Somoza to resign. But the mayor of Managua made a national radio broadcast in which he claimed that the National Guard, which serves as police and army, supported the President.

Meanwhile, eight women, who say that they are mothers of political detainees or activists who had mysteriously disappeared, have begun a sit-in at the Managua offices of the UN to demand an international investigation into the fates of their sons.

ARSON IN NEW YORK CITY

Burning away the property tax base

BY CAROLINE HYDE IN NEW YORK

NEW YORK CITY has more than its share of problems: the much-advertised fiscal crisis, unsafe schools, cuts in the law enforcement and fire departments, potholed streets and huge corporations leaving the city and taking money, jobs and taxes with them. But they all pale next to New York's biggest problem: arson.

In New York City alone there are about 20 fires a day resulting in property losses worth $1.3bn. and indirect costs, from medical care and the loss of employment and business, of $4.16bn. These figures are 40 per cent. higher than in 1975.

Power failure

A 1,000 people have died, including 45 firemen, and 9,000 have been injured. Altogether 1,037 fires broke out during the night that followed the blackout caused by a power failure last year.

There are three kinds of arson plaguing the city. Arson can be committed for profit by collecting insurance money. It is, secondly, a means to jump the housing queue, because the welfare departments put fire victims first on the list for relief housing and medication and a fire can cut the waiting down from months to virtually nothing. The trouble is that once the building is abandoned junkies, prostitutes and street gangs who use the buildings will often put it to the torch for fun or cover up their activities as they leave the building. The third kind of arson, pyromania, can occur when ghetto residents want to let off steam.

Whatever form it takes, arson is burning away the real estate tax base in large sectors of the city. For instance there are now 480 derelict acres in the south Bronx—once merely an ugly ghetto, now a no-man's-land with blackened buildings, vacant lots full of garbage, and the remains of buildings. One tenant has put a huge sign over the door to her building—people still live here—to tell passers-by that it is not a place to burn in spite of its appearance.

Until recently this land yielded taxes and was covered with inhabited buildings. Now there are 1,200 vacant buildings still standing. They have fallen prey to the "strippers," who make it a business to take out the kitchens, bathrooms, copper pipes and other saleable commodities. The Bushwick section of Brooklyn has 1,000 vacant buildings and 450 vacant lots. Brownsville, Bedford-Stuyvescent, East New York and even the Lower East Side of Manhattan have equally alarming figures.

The tax arrears maps for these areas are virtually all coloured in and the city planning office estimates roughly that 30,000 dwellings are abandoned every year. For some years dummy real estate corporations have been buying these abandoned buildings in marginal neighbourhoods and insuring them at inflated values. They choose buildings that may have had fire in one apartment only and have not been too badly stripped. One more fire in one more apartment is all that is necessary to have the total destruction taken care of by the property strippers. The building's insurers then write the cheque.

This mode of conduct in the ghettos is slowly being checked by the arson strike force. The head of the force is Mr. Mike Conners, a former firefighter lawyer and chief fire marshal of the Fire Department. Before he took over, there were fewer than 50 firemarshals in the five boroughs. Now there are 125 men who, after intensive training and equipped with guns, handcuffs and bright red baseball caps, patrol the target areas.

Abandoned buildings

The idea is not new, but the patrols hitherto had only pushed the fire raisers to areas other than those being patrolled.

Since they began operating in August in the south Bronx, Bushwick and Bronsville—the hardest hit areas of the city—the number of fires has dropped 40 per cent. and fires in abandoned buildings are down 70 per cent.—this in a city that had 424,467 alarms last year. One wonders if New York's boroughs would now look as though there had been a war if these men had started ten years ago.

Insurance companies are of course most involved. In many of the major weekly magazines they have taken full page advertisements saying "I burned my business to the ground. Thanks America for helping pay for it." The advertisement goes on to say that arson cost over $1bn. last year. It also indicates that over 20 per cent. of the fires are thought to be due to arson, but only in 3 per cent. of the cases are convictions obtained. It explains how the reader's insurance premiums are going up because of this, and urges him to put pressures on officials to classify arson as a major crime and push for uniform national laws.

The professional arsonist is said to earn $30,000 or more a year. The fire raiser comes in many varieties, from the professional man who has researched his subject and is paid 10-20 per cent. of the insurance claim, taking half in advance, to the 14-year-old ghetto street kid who will do it for six cans of beer or, perhaps, $100.

Mr. John Glenn, the Senator from Ohio and a former astronaut, in statements at hearings expressly for the purpose of alerting the public to this problem, said: "These is increased evidence of the involvement of organised crime." He also said the epidemic is spreading from "rundown areas of major cities to suburbs and rural areas." An insurance expert, Mr. P. Fisher, claimed that arson accounts for as much as 50-55 per cent. of fire insurance premiums in some areas.

WORLD TRADE NEWS

Healey and Dell meet Ushiba

By Our Foreign Staff

MR. NOBUHIKO Ushiba, the Japanese Minister for External Affairs, arrived in London yesterday. He attended a working dinner given by the Chancellor at No. 11 Downing Street at which Mr. Edmund Dell, Secretary for Trade, also participated.

To-day Mr. Ushiba will meet Dr. David Owen, the Foreign Secretary, and have further talks with Mr. Dell before leaving for Paris later in the afternoon.

British officials said the talks were expected to cover issues raised at the Geneva world tariff-cutting negotiations under

Mr. Ushiba will also explain the measures Japan is taking to reduce its balance of payments surplus.

Mr. Ushiba came to London from Bonn, where he assured West German officials that Tokyo was doing all it could to cut its surpluses. But in a radio interview he said foreign criticism of Japanese economic policies had been "by and large justified." Japan had done too little in the past to boost imports and had concentrated too heavily on exports, he said.

Earlier in the week Mr. Ushiba participated in the GATT talks at Geneva.

W. Germany has large surplus

By Jonathan Carr

BONN, Jan. 26.

WEST GERMANY achieved the second largest trade surplus in its history last year, and its surplus on current account declined only slightly against 1976.

The results have emerged at an embarrassing moment for the government—just as it is stressing what it has been doing to reduce those persistent surpluses, and why it feels it can do no more to reflate the domestic economy.

The latest figures, issued by the Federal Statistical Office, are more likely to be seen as support for the view of proponents of a bigger West German reflation effort—notably in Britain and the U.S.

Last year's trade surplus was DM38.4bn.—a figure exceeded only by the DM51bn. figure of 1974. Exports rose 7 per cent. to DM 273.5bn. Imports were up 6 per cent. to DM235.1bn. The trade surplus was DM35bn. in 1976 and DM37bn. in 1975.

Last year's current account surplus (the visible trade balance less a deficit on services, transfers and supplementary items) was DM8.2bn.—against DM8.5bn. in 1976 and DM 9.5bn. in 1975.

Forecasts vary considerably of the extent of growth of West German exports this year. The Government's cautious estimate is 5 and 5.5 per cent. in real terms. But it is at least feasible that a trade surplus about as big as that last year will emerge this year.

Anglo-German transport talks

By Ian Hargreaves

THE TRANSPORT Ministers of Britain and West Germany are to meet to discuss common railway problems after an exchange of correspondence which began with angry claims that the U.K. was deliberately setting its railways at a competitive disadvantage with roll-on roll-off services.

Mr. William Rodgers, the U.K. Transport Secretary, has replied to Herr Kurt Gscheidle, his German opposite number, rejecting claims that customs officials have acted obstructively in the case of rail export wagons.

But his letter acknowledges what Hr. Gscheidle had described as the partial obsolescence of the British Rail ferry wagon fleet by conceding that the U.K. Government view is that re-investment in rail ships is not justified by likely commercial returns.

Imports 'vital' to Britain

By Christopher Dunn

"BRITAIN MUST import to live," Mr. Tom Harrison, chairman of the British Importers Federation, said yesterday.

Launching a detailed study on the importance of Britain's imports, he called for a rethink on the industry.

"Importing is the most successful activity in the British economy to-day," he claimed.

The attention which was focussed on certain uncompetitive British industries like cars obscured the fact that 75 per cent. of current imports were "essential to our well being," he said.

In the long run, it did not matter how much Britain imported in finished goods, provided it carried on exporting them in large enough quantities, Mr. Harrison asserted, agreeing with the study's conclusions.

Pressure from trades unions and manufacturers for import controls had to be resisted. Importers were not a major cause of unemployment, he claimed

Import protection was expensive and reduced our competitive ability. It also threatened our invisible earnings in the future.

Mr. Harrison warned that the current fashion for protectionism was more likely "to increase the size and length of the dole queues than to reduce them."

The Importance of Importing to the United Kingdom Economy—published by the British Importers Confederation. 69, Cannon Street, London, E.C.4.

Davy-Loewy wins £88m. Brazil steel mill order

BY ROY HODSON

A PLANT contract of £88m. for the Minas Gerais steel complex in Brazil has been awarded to Davy-Loewy of Sheffield, bringing the total British package of contracts for the project to more than £235m.

Davy-Loewy has won the new contract for a billet rolling mill. About £66m. of the content will be direct export from Britain. The remainder will cover work supplied by local contractors and on site.

Sir John Buckley, chairman of Davy International, said yesterday Davy and Morgan Grenfell, acting as financial co-ordinators of a group of European banks, finalised the engineering and equipment supply package for Aco Minas Gerais SA of Brazil.

The British share will provide 22,500 man-years of work in British plants and on site.

The £88m. billet mill order covers the design, manufacture and supervision of erection for a semi-continuous rolling mill for billets on a greenfield site at the Brazilian complex.

BRITISH SHARE OF MINAS GERAIS PROJECT

Contractors	Total package £m.	British export value £m.
Davy—		
Blast furnace	59	49
Woodhall Duckham—		
Coke ovens	63	52
Davy—		
Billet mill	88	66
Davy—		
Management co-ordination	3	3
British Oxygen—		
Oxygen plant	23	5
Total	236	173

Part of the mill will be made in Brazil to Davy-Loewy designs, but the majority of the work will be designed and made by Davy-Loewy, Sheffield.

Substantial sub-contract work for the mill electrics will also be placed by Davy-Loewy in Britain.

The semi-continous bilelt m[illegible] is designed to handle 2m. ton[illegible] of semi-finished steel a year. T[illegible] design will incorporate a seco[illegible] stage of development to raise t[illegible] mill's throughput to 3m. ing[illegible] tons a year. It is due to [illegible] commissioned late in 1980.

Brazilian steel complex orde[illegible] worth more than £1bn. are bei[illegible] shared between Britain, Fran[illegible] West Germany and Brazil, a[illegible] have been concluded in less th[illegible] one year since the origin[illegible] negotiations.

Morgan Grenfell signed [illegible] external loan to Acominas [illegible] £150m. in December, 1976. [illegible] June last year Euro-curren[illegible] loans of $505m. were raised [illegible] support the project. Tot[illegible] external finance is now mo[illegible] than $1.1bn.

Davy International is also lea[illegible] ing a consortium of Britis[illegible] German, French and Japanes[illegible] steel plant makers, engineers an[illegible] banks tendering to build an iro[illegible] and steel complex in Venezuel[illegible] which is expected to cost $2.6b[illegible]

Saudi group buys Falcon jets

BY ROBERT MAUTHNER

PARIS, Jan. 26.

THE FRENCH-based Saudi Arabian business tycoon, Mr. Akram Ojjeh, who recently acquired the luxury liner "France" for Frs.80m. (about £9m.), has made a Frs.1bn. (about £110m.) deal for the purchase of an unspecified number of Falcon executive aircraft, manufactured by the French company, Dassault-Breguet.

The contract was concluded by Falcon-Middle-East SA, a Swiss subsidiary of Mr. Ojjeh's Luxembourg-based group Technique d'Avant-Garde (TAG), which also bought the "France."

The Falcon jet has done particularly well in export markets: The U.S. Coast Guard recently ordered 41 of the 20G version known as the Guardian which has been specially adapted for maritime surveillance work.

Mr. Ojjeh is planning an ambitious project with the aircraft he has bought. His contract is reported to include a clause under which he will promote sales and the distribution of the Falcon in the Middle East. He has also decided to create, with the participation of Europe Falcon Service, the organisation responsible for marketing the aircraft, a special servicing and "rent-a-plane" network for Falcons of all types in the Middle East.

The Falcon venture is not Mr. Ojjeh's first excursion into the aircraft field. His group already possesses 44 per cent. of the capital of the small French domestic airline, Air Alpes, and he has financial interests in other regional French air services.

Mr. Ojjeh has recently said that he is interested in creating both an important regional Franco-Saudi shipping company, with the participation of the French State-controlled Compagnie Generale Maritime, and a big French regional airline.

● ANF-Industrie has signed [illegible] Frs.175m. contract to provid[illegible] the Iranian railways with rolling stock. Delivery will be in 1979 and 1980, subject to the signature of a French banking credit t[illegible] enable the Iranian authorities t[illegible] go ahead with the purchase. Th[illegible] company said it had also signe[illegible] a contract extending its technica[illegible] assistance to the Iranians for th[illegible] operation of four turbotrain[illegible] made by it and delivered t[illegible] Iran in 1975.

New hotel venture

FINANCIAL TIMES REPORTER

A NEW hotel management company has been set up by Pakistan Internatioanl Airlines (PIA) in partnership with the French hotels group Novotel.

Called Minhal (which means "spring" in Arabic) the company brings together the airline marketing experience of PIA, which has a 51 per cent. equity stake in the venture, and the hotel management know-how gained by Novotel in operating a chain of over 160 hotels in Europe, Africa and South America. Novotel holds the remaining 49 per cent.

Initially the new company will concentrate on the Middle East area where Novotel already operates one hotel in Sharjah and where PIA has recently formed two joint ventures with local interests to build hotels in Abu Dhabi and Saudi Arabia.

Minhal has been awarded the management contracts for the latter two hotels and is currently negotiating similar deals for hotels in Jeddah, Dharan and Yanbu in Saudi Arabia, as well as in Bahrain, in which PIA will probably have an equity stake in the ownership of the hotels. In the longer term it is intended to extend Minhal's operations to Pakistan and Europe.

The agreement between PIA and Novotel is non-exclusive so that Novotel is not prevented from setting up Novotel chain hotels in the same area as Minhal hotels, while PIA is not restricted to using Minhal hotel management in future hotel projects.

NUCLEAR SAFEGUARDS

Japan accepts Canadian terms

BY CHARLES SMITH

TOKYO, Jan. 26.

CANADA AND Japan to-day initialled an agreement safeguarding the use of Canadian uranium exported to Japan. This ends a year-long deadlock and opens the way for probable co-operation between the two countries in development and application of nuclear technology.

Mr. Don Jamieson, Canadian Foreign Minister, announced immediately after the initialling ceremony that Canada was lifting its embargo on uranium shipments to Japan.

The agreement will not be signed until the legal section of the Japanese Foreign Ministry has had a chance to scrutinise it, but no problems are expected at this stage.

Canada imposed its embargo on uranium shipments to Japan in January last year after Japan declined to accept a proposed revision to a 1959 bilateral agreement on the peaceful use of atomic energy which would have greatly re-inforced earlier guarantees against the use of Canadian uranium for military purposes.

Japan rejected the Canadian proposals on the ground that they duplicated guarantee arrangements already imposed by the U.S.—which enriches Canadian natural uranium and re-exports it to Japan.

A further problem arose in May, when Canada demanded that Japan seek its consent before arranging for the re-processing of used nuclear fuels by third countries.

Canada's attempts to tighten controls on the use of its uranium were provoked by India's explosion of a nuclear device in 1974 using a Canadian reactor.

The deadlock with Japan, which has continued to reject the idea of having to seek separate consent from the U.S. and Canada for reprocessing activities, came in sight of solution last November when Canada and the U.S. agreed to respect each other's criteria for controlling uranium exports.

This made it possible for Japan to continue dealing only with the U.S. on nuclear safeguard questions while formally respecting Canada's right to exercise its own separate controls.

An important feature of the agreement is that the safeguards cover technology associated with the Canadian natural uranium Candu reactor.

Japan appears to be deeply interested in buying a Candu reactor and in acquiring technology which would subsequently enable it to build and export its own reactors.

Japan normally accounts for 40 per cent. of Canada's uranium exports and is itself heavily dependent on Canada as the main supplier for fuel used in its nuclear power industry.

Low levels of capacity utilisation in the nuclear industry this year have blunted the effects of the Canadian export embargo, but some Japanese power stations appear to have been running critically short of fuel towards the end of the year as a result of the Canadian action.

Finnish forestry losses persist

BY LANCE KEYWORTH

HELSINKI, Jan. 26.

ALL THE main branches of the Finnish forest industry again ran at a loss in 1977, the third year in succession. The outlook for the current year is equally gloomy. This was the picture painted by Mr. Lauri Kirves, managing director of the Central Association of Finnish Forest Industries, at a Press conference to-day.

The wood, pulp and paper sector exports about 80 per cent. of its production and accounts for about a half of Finland's total export earnings.

But the slow economic recovery in the main export market — Western Europe, within which the U.K. tops the list — has confounded Finnish hopes for an export-led recovery.

Finnish forest industry exports grew in the first nine months of 1977 by about 5 per cent. in volume and 17 per cent. in value. However, allowing for exchange rate fluctuations, etc., the real increase last year should have been around 40 per cent. to match the level reached in 1974, the last year of the boom.

Apart from weak export demand, the main reasons for the depressed state of the forest industry sector are low prices, high raw material and other costs, the high debts ratio and weak profitability of the corporate sector and, said Mr. Kirves, "the over-valuation of the Finmark."

These are all factors within Finland's control. But the Government's measures to stimulate industry and improve its international competitiveness have been too modest, said Mr. Kirves. They also came too late.

Capacity utilisation was less than 70 per cent. on average in 1977, and for pulp and board, it was even less.

Greek alumina plant expansion

By Our Own Correspondent

ATHENS, Jan. 26.

PECHINEY OF France is to invest a further $100m. to increase alumina production at its plant on the Gulf of Corinth, Mr. George Rallis, Greek Minister of Coordination, announced.

The investment will raise alumina production from the present 500,000 tons a year to 600,000 tons. About 300,000 tons of the alumina now being produced by the plant is converted into 150,000 tons of aluminium.

Steel trigger price delay

WASHINGTON, Jan. 26.

A TREASURY official said the enforcement date for the Governments steel trigger price mechanism will slip past the February 15 date announced earlier.

Mr. Robert Mundheim, Treasury general counsel did not say when the new effective date for the trigger price mechanism would be.

He made the comments in testimony before the House Ways and Means Subcommittee on Trade.

Hong Kong trade swells

HONG KONG, Jan. 26.

Hong Kong's domestic exports of $3.89bn last year were 7.3 per cent. higher than exports in 1976. Imports were £5.41bn., up 12.5 per cent. Re-exports of £1.09bn. were up 10.1 per cent.

Textile exports rose 8 per cent. in the face of rising protectionism and falling demand, reports Reuter. The EEC, which accounts for half of textile exports, recently imposed [illegible] tions on textile imports.

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information to shareholders of:

STET—Società Finanziaria Telefonica p.a., Turin/Rome, ITALY SIP—Società Italiana per l'Esercizio Telefonico p.a., Turin/Rome, ITALY ITALCABLE—Servizi Cablografici, Radiotelegrafici e Radioelettrici S.p.A., Rome, ITALY

The Board of Directors of STET, SIP and ITALCABLE have decided, after a thorough review of the capital structures of their companies, to convene an Extraordinary General Meeting of Shareholders of the respective companies to resolve upon an:

gruppo stet società finanziaria telefonica

INCREASE OF THE SHARE CAPITAL OF STET, SIP AND ITALCABLE

Increase of the share capital of STET and of SIP, partly by subscription and partly free, and increase, wholly free, of the share capital of ITALCABLE, through the issue and distribution of new ordinary shares each of a nominal value of 2,000 lire;

RECENT GROUP PROGRESS

The following figures are indicative of the progress achieved by the Group during the past five years:

—acquisition of 3.1 million new subscribers; installation of nearly 5 million new telephone sets and of 148,000 new public telephones; automatic handling of a growing volume of millions of local, long distance and intercontinental calls.

—the Group now serves more than 10.7 million subscribers equipped with 16 million telephone sets, and has some 340,000 public telephones in service; annual traffic is of the order of 7,700 million local calls, 2,400 million long distance calls, 6.4 million intercontinental calls and 7.4 million telex messages.

—at the international level, the service is well placed in terms of telephone density (28.5 sets per 100 population, against a European average of 33); and since 1970 subscribers have enjoyed direct-dialling facilities throughout the entire network.

Underlying these results is a continuous, massive investment programme (the average age of the Group's plant is only 8 years) aimed at an optimum balance of service throughout Italy, in order to meet the social and economic requirements of the entire nation.

In the five years from 1973 to 1977 the Group's plant investment expenditure totalled approximately 5,300 billion lire, of which SIP alone accounted for more than 5,000 billion lire. During that period the Group employed an average of 125,000 personnel and the investment projects provided employment for a further 150,000 people.

STET GROUP CONSOLIDATED BALANCE SHEET

(billion lire)

ASSETS	at 31/12 1972	at 31/12 1976	at 31/12 1977 (preliminary data)
Fixed Assets			
Property	358	948	1,100
Telecommunications plant	2,545	6,946	8,300
Other fixed assets	141	385	400
	3,044	8,279	9,800
Inventories	170	673	800
Securities and non-consolidated shareholdings	19	27	20
Cash and funds with banks	24	84	80
Subscriber and customer receivables	242	776	1,000
Sundry debtors	146	514	500
	3,645	10,353	12,200

LIABILITIES	at 31/12 1972	at 31/12 1976	at 31/12 1977 (preliminary data)
Equity			
STET	387	1,048	1,100
Interest of third parties	291	756	740
Income for financial year	41	44	60
	719	1,848	1,900
Depreciation funds	887	2,105	2,500
Other funds	259	808	900
Financial debt			
Long-term	1,103	2,989	3,600
Medium-term	68	480	550
Short-term	95	535	550
Accounts payable	91	518	700
Sundry creditors	423	1,071	1,500
	3,645	10.353	12,200

Notes

(a) The increase in the value of fixed assets is attributable as to approximately 5,300 billion lire for new investments and approximately 1,400 billion lire for revaluation, mainly in conformity with the related legislation of December 1975.

(b) Financial debt shows an increase of some 3,400 billion lire, while STET Group equity has increased by approximately 1,200 billion lire.

(c) The increase in the depreciation funds is attributable as to 1,250 billion lire for annual appropriations and 360 billion lire upon application of the abovementioned revaluation legislation.

(d) Available reserves subsequent to the revaluation legislation and available for utilisation amount to 920 billion lire (included in the item "Equity" totalling 1,900 billion lire).

N.B.—The item "Fixed Assets" (book value 9,800 billion lire at 31.12.1977, still lower than the current market value), consists mainly of telecommunications plant which at the time of expiry of the concession (1996 for SIP and ITALCABLE) will, in the event of non-renewal, be indemnified at their market value.

During the period 1973-1977 STET, SIP and ITALCABLE have, as in preceding years, regularly declared and paid dividends, as set forth below.

Dividend per 2,000 lire nominal value share

	STET	SIP	ITALCABLE
1973 General Meeting	Lire 157	Lire 140	Lire 140
1974 „ „	„ 160	„ 140	„ 140
1975 „ „	„ 160	„ 140	„ 150
1976 „ „	„ 180	„ 140	„ 160
1977 „ „	„ 200	„ 140	„ 180

As a consequence of the increases in share capital shown below, the size of the annual dividend has increased in proportion to the volume of capitalized reserves.

Share capital increases

(billion lire)

STET	of which transfer from reserves	SIP	of which transfer from reserves	ITALCABLE	of which transfer from reserves
1972		1972		1974	
from 225		from 445		from 18	
to 260	5	to 500	15	to 24	2
1973		1973		1976	
from 260		from 500		from 24	
to 280	4	to 560	15	to 32	5

FUTURE ACTIVITY

Since demand for telecommunications services is growing rapidly throughout the world (even in those countries where the telephone density is appreciably higher than in Italy), the STET Group is still engaged in a major investment effort, as shown by the programme presented to the government at the end of 1976, summarizing future investments, at 1976 plant costs, of 1,260 billion, 1,290 billion, 1,314 billion, 1,352 billion, 1,387 billion lire respectively in each of the years from 1977 to 1981.

In formulation of this investment programme, account has also been taken of the need to maintain employment levels and to contribute to the economic development of Southern Italy.

The pace of implementation of the programme is obviously conditional upon the ability to obtain the financing necessary to meet that proportion of investment not covered by internally generated funds: and, in its turn, self-financing capability is closely tied to the existence of an equitable tariff structure. In this respect the Group maintains a continuing dialogue with the Government authorities regarding the necessary modifications to its tariff structure in order to meet the increasing capital and operating costs of the nation's telecommunications system. Constant attention is devoted to financing problems, which to date have been resolved also by virtue of the confidence displayed in the Group by the domestic and international financial markets.

Furthermore, the difficulties facing the Italian economy in general, and the stock market in particular, in recent years have inhibited the possibility of an adequate contribution of risk capital to the procurement of the necessary funds: as a consequence of the deferment of new-issue operations pending an improvement of the stock-market situation there has been a deterioration of the ratio between self-financing and borrowing which the Group has at all times sought to maintain since its foundation in 1933.

In this situation it would have been a mistake not to ensure—also by way of an increase of risk capital—the further development of a fast growth sector such as telecommunications. This view is in accordance with the directives issued by the Ministry of Post and Telecommunications and by CIPE (the Interministerial Committee for Economic Planning): and it enjoys the full support of IRI (the Institute for Industrial Reconstruction) as well as of the consortium of banks, headed by Mediobanca, whose underwriting guarantee will assure the successful completion of the proposed share capital-increase operations.

It is in the context of these prospects of continued growth that the STET Group is inviting its Shareholders, who have never failed to demonstrate their confidence in the Group's management policies, to approve the capital-increases described below. This programme envisages: the increase of the share capital of STET and of SIP (partly by subscription, partly free issue, through transfer of tax-exempt reserves) which will be utilized exclusively for investment in telephone-service operations; and the wholly free issue increase of the share capital of ITALCABLE, through utilization of part of the reserve created pursuant to Law No. 756 of 2 December 1975. Subscription of the new shares is synonymous with participation in the STET Group operations, since 1933 devoted to the continuous improvement and extension of Italy's telecommunications service, a vitally important service in the economic and social life of the entire nation.

OUTLINE OF THE CAPITAL-INCREASE PROGRAMME

STET—Increase of share capital from 280 to 520 billion lire. The proposed 240 billion lire increase envisages subscription of 140 billion lire of new shares (one new share for each two shares currently held) and the free issue of 100 billion lire of new shares (five new shares for each fourteen shares currently held) by means of a transfer from tax-exempt reserves. The new shares will rank for dividend from April 1st, 1978.

SIP—Increase of share capital from 560 to 880 billion lire. The proposed 320 billion lire increase envisages subscription of 160 billion lire of new shares (two new shares for each seven shares currently held) and the free issue of 160 billion lire of new shares (two new shares for each seven shares currently held) by means of a transfer from tax-exempt reserves. The new shares will rank for dividend from January 1st, 1978.

ITALCABLE—Increase of share capital from 32 to 40 billion lire. The proposed 8 billion lire increase envisages the free issue of shares for a like amount (one new share for each four shares currently held) by means of a transfer from tax-exempt reserves. The new shares will rank for dividend from January 1st, 1977.

THE TERMS AND CONDITIONS OF THE AFOREMENTIONED ISSUES WILL BE ANNOUNCED IMMEDIATELY AFTER APPROVAL OF THE RELATED RESOLUTIONS BY THE RESPECTIVE EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS, WHICH WILL BE HELD DURING FEBRUARY 1978.

HOME NEWS

CBI seeks pay information role for select committees

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A RADICAL new function for the *Parliamentary Select Committee* system — which would involve one of the committees being given a major role in trying to spread economic understanding and explaining what the country can afford in wage rises —is being considered by Confederation of British Industry leaders.

The ideas involve a new *national body being set up to* advise on pay and economic affairs. It would be kept separate from Government or ministerial control or interference, and would have direct links with a new Parliamentary select committee.

Although no final decisions on the CBI's ideas have been taken yet, they would break new ground in political and parliamentary terms and are specially significant at a time when the powers of the Select Committee *on Nationalised Industries has* been brought into question over the steel industry's problems.

One idea is that a select committee itself could perform the functions of a pay body, backed up by expert research staff. Another is that an outside body could be set up which would be responsible to, and report to, a select committee.

The plans are being drawn up by the CBI as part of its proposals for medium and long-term reform of Britain's pay bargaining system and are similar to Conservative Party ideas.

Yesterday, Sir John Methven, CBI *director-general, referred to* the work the confederation is doing in a speech at an Industrial Society conference in London where he called for talks on pay systems between the Government, CBI and TUC.

He added: "But I wish at all *costs* to avoid getting into the problems of norms or any form of corporatisms in which bodies like the Government, the TUC and CBI try to settle between them what the nation can afford on pay."

This means that the CBI wants to avoid the sort of pay Boards that have existed in the past and is aiming instead at a body with educational and propaganda functions, rather than regulatory ones. Its primary job would be to improve public understanding of economic realities and wages so that a national consensus could be built up.

The body would have an academic flavour, although it might have a governing council that could include representatives of the CBI and TUC.

Its first task would be to present an annual economic analysis to the select committee. This would include an assessment of what could be afforded in wages.

Secondly, the body would back this with three-monthly or six-monthly progress reports on how its analysis was turning out. Thirdly, it would provide factual reports in individual disputes so that, for example, during the firemen's recent pay row, there *would have* been a *completely* independent source of information.

Such reports, it is thought, could be requested by either the select committee or the Government, but there would be no attempt at any interpretation of Government policy. The body would not, therefore, become a relativities board as was being developed early in 1974 at the end of the last Conservative Government's term of office.

Oil 'must be used to cut direct taxes'

PROPOSALS *for* using North Sea oil revenues mainly for boosting industrial confidence by cutting direct taxation, rather than for massive State intervention in industry, are being urged in Whitehall by the Department of Industry.

This emerged publicly for the first time yesterday when Sir Peter Carey, the Department's Permanent Secretary, said in a speech at the *Industrial Society conference* that the oil resources should be used first "to create an economic climate in which industry will want to step up its investment."

Sir Peter's outspoken remarks reveal the line that his Department has been taking, along with the Treasury, in what is becoming an increasingly bitter battle between senior Ministers on the oil issue.

"Reduction of the tax burden could also be a worthwhile use of the oil resources. Lower levels of income tax, and thus a higher reward for work, are likely to increase motivation and application to work," he declared.

This would be a "useful, broadly-based means of helping to improve our industrial performance and productivity at the same time as increasing people's real take home pay."

He warned that the benefits of the North Sea should not be dissipated in a "bonanza of *self-indulgence* which will leave us in 30 years time as weak as or weaker than we are now."

He said industrial investment must be the primary target. Because of this, "fiscal and monetary policies must be pursued in a manner which offers the prospect of steady and sustained *growth* without risking abrupt reversals of policy."

Sir Peter also acknowledged the other side of the political debate: that the Government should tackle industrial problems directly through a massive expansion of financial assistance to industry.

But, significantly, he failed to spell out any proposals for this beyond explaining the Government's current industrial assistance *schemes*.

The conference, entitled "Towards a Common Purpose," was connected with a new publication from the *Industrial Society* called "Why Industry Matters" outlining ways in which industry should improve its own image, communications and participation.

Pact with miners brings increased output

BY JOHN LLOYD

FIGURES TO be published to-day by the National Coal Board will show a rise in productivity in a number of areas.

Officials are encouraged by the first signs of success in the productivity agreement which is now either operating or being phased in all areas except South Wales.

The areas where "significant" increases in output per manshift—the NCB's standard measurement of productivity—have been recorded are North Derbyshire, North Eastern, North Nottinghamshire, South Nottinghamshire, South Midlands and Western.

These areas include some of the richest coal seams in the U.K.

The majority of these areas voted for the productivity agreemnt in a nationwide ballot, but the overall vote of the miners was against it.

Most of the areas immediately applied for their own productivity agreements after the ballot, and have thus been *working under a bonus scheme* for some time.

Decline

The Coal Board believes that the agreement will yield *increases in output of between* 10 and 15 per cent.

However, figures published yesterday by the Department of Energy show that the Government is less optimistic about coal's immediate future.

The Department estimates that consumption of coal will decline slightly, from 123m. tonnes in 1977 (provisional figure) to 121m tonnes this year.

The Department comments: "Deep-mined output which in 1977 fell to about 104m. tonnes, from 108m. tonnes in 1976, is forecast to show a small increase, largely as a result of new investment and a reversal of the recent decline in manpower productivity."

Labour News, Page 8

Man-made fibres trade continues downward trend

BY RHYS DAVID, TEXTILES CORRESPONDENT

A SHARP fall-off in trade in the latter half of the year sent Britain's man-made fibre production last year down to its lowest level since 1968, according *to industry figures published* yesterday.

The industry, which has been suffering from over-capacity of as much as 25-30 per cent. in Europe over the past few years, managed to stage a partial recovery in 1976, increasing its output from only 562,000 tonnes in 1975 to 618,000 tonnes.

The latest figures show, however, that in spite of a good start to the year this improvement was not maintained in 1977. Output fell again to only 551,820 tonnes —a 33 per cent. drop on the 1973 peak figure of 730,840 tonnes.

In the last quarter of 1977, production at only 115,140 tonnes was down 25 per cent. on the quarterly average for the 1970s as a whole.

The poor U.K. figures are likely to be repeated *throughout* Europe when figures for production in EEC member countries become available.

EEC cutback

Several major European groups, including most recently Rhone Poulenc, have announced plans for a major cutback in man-made fibre production facilities.

Total losses in 1977 by all Europe's man-made fibre groups are likely to exceed the £500m. figure recorded in 1975 and the European Commission is studying ways of dealing with the *industry's serious structural* problems.

Perhaps most worrying for U.K. producers is the way in which demand continued to fall away as the year proceeded. Output at the half year stage was on a par with the previous year, 4 per cent. behind after nine months and nearly 11 per cent. behind at the year end.

Leading man-made fibre producers yesterday attributed the decline to de-stocking during the middle of the year by textile manufacturers who experienced a fall-off in demand from clothing shops.

ICI Fibres claimed that there were signs of demand picking up again and the industry hopes that the more stable trading conditions expected as a result of the latest multi-fibre arrangement import restrictions could lead to more confident ordering by U.K. and other European textile producers.

Polyester

The latest output figures suggest man-made fibre producers will continue to find it *difficult* this year to raise prices which have remained weak, particularly on the Continent.

Producers have been able to increase prices on some speciality yarns but are *still* failing to keep pace with cost increases in bulk lines such as polyester filament.

U.K. output figures in 1977 could have been much worse but for the strong export performance registered by the industry. Export deliveries at 241,000 tonnes accounted for 41.5 per cent. of total deliveries, and were *roughly* the same as in 1976, despite the overall fall in deliveries.

Car output slightly down

FINANCIAL TIMES REPORTER

CAR PRODUCTION in the U.K. *in 1977* was slightly down on 1976. However, because 1977 is counted as a 52-week year and 1976 as a 53-week year, weekly averages were slightly up, according to revised figures issued yesterday by the Department of Industry.

Total passenger car production was 1,327,820, compared with 1,333,449 *in 1976. However in* December the revised figure was 130,120 compared with 109,782.

Output of commercial vehicles in December was 9 per cent. up on December 1976 at 34,575 units, while for the whole year there was a 4 per cent. rise over 1976 to 386,420.

Instant cash 'banks' extended

BY MICHAEL BLANDEN

BARCLAYS BANK is taking another important step in the development of automated banking services by doubling the number of its Barclaybank outlets.

The machines, *installed mainly* outside bank branches, enable customers to withdraw cash up to £50 a day at any time. They also provide a service which allows customers to obtain the balance on their account, and to order a bank statement or cheque book.

Barclays has ordered 100 more NCR machines for delivery from early 1979. *It is expected that* the new machines will be installed mainly "through the wall" of bank branches, rather than inside branches or on other sites such as shops, to provide a 24-hour cash withdrawal service.

Major towns

The extra mchines will be installed in towns with populations of more than 50,000 to give reasonable national coverage. So far coverage has been limited in some areas, particularly the north.

The bank's Barclaycash dispensers, which give £10 at a time, are nearing the end of their useful life, the bank said. They are to be withdrawn gradually over the next two years.

Mr. John Quinton, a general manager, said that in the two years since the Barclaybank had been introduced "we have satisfied ourselves about the machines' reliability and their *usefulness* to customers."

Bus fares rise

UNITED COUNTIES Bus Company, Northampton, has been given permission by the East Midlands Traffic Commissioners to put up fares by nearly 10 per cent., which should increase annual revenue by £800,000. It is the third increase in a year.

Fears over nuclear delay

By David Fishlock, Science Editor

LEADERS in the nuclear industry are worried that a campaign will be launched to delay any Government decision about British Nuclear Fuel's £600m. reprocessing project. This comes after the Government's go-ahead for new nuclear power stations.

Mr. Peter Shore, *Environment secretary*, told Parliament yesterday that he had received the 450-paragraph report of Mr. Justice Parker, on last summer's Windscale inquiry.

Although Mr Shore gave no *hint* of its findings groups opposing the project were convinced well before the end of the inquiry that it would find in favour of the project.

Friends of the Earth, a leading opponent, have declared that reprocessing would continue to dominate their energy campaign this year, "and our objective is quite simply to create a political climate in which it would be foolish for the Government to give the go-ahead."

The group is urging Mr. Shore to publish the Parker report before making any decision on the project, in order to stimulate further public debate.

Shell to double U.K. expenditure on plant

BY KEVIN DONE, CHEMICALS CORRESPONDENT

SHELL CHEMICALS U.K. is *doubling its capital expenditure* on new plant over the next 12 months, in spite of its pessimism about trade prospects in the medium term. But doubts are growing as to whether it will press ahead this year with plans for a £200m. ethylene plant on Merseyside.

Its recent sales performance has reflected the recession in base chemical markets throughout Western Europe and in the third quarter last year the company produced a pre-tax loss of £1.3m.

Demand in July and August is *traditionally* low, but last year the normal pick-up in the autumn did not occur. In the first two quarters Shell Chemicals made pre-tax profits of £6.5m. and £4.2m.

According to Mr. Derek Crofton, finance director, a small profit was expected again in the last quarter. This should put last year's performance on a level with 1976, when the net income amounted to £10.8m.

Prospects for the current year *are not bright*, Mr. Crofton said. Latest forecasts suggested that the volume of sales would not be much better than that achieved last year. Continuing slack demand would make it difficult to keep prices moving up in line with cost increases and profit margins would be under considerable pressure.

According to Mr. Gerard Fair*tlough*, Shell Chemicals *managing* director, the chemicals industry now had to accustom itself to continuing low growth, at least in some parts of the business. Expansion would not help to solve its problems as in the past.

Conversion

Shell Chemicals U.K. is planning to double its capital expenditure *this year* to some £60m., compared with some £30m. in 1977. Much of this will go on the *conversion* of an ethylene plant to gas oil feedstocks at Carrington and the near doubling of low density polyethylene capacity. An extra 70,000 tonnes a year is being added to the present 90,000 tonnes a year.

However, the possibility of *Shell going ahead with its plan*ned £200m. ethylene plant at Stanlow is still clearly in doubt.

Another cracker is also being planned for the U.K. by Esso Chemical, at Mossmorran in Fife, and it is unlikely under current market conditions that both will go ahead at the same time.

Shell U.K., the petroleum arm of the company, will be supply*ing 50 per cent of the ethane* feedstock for the Fife cracker and Shell Chemicals will have a drawing right of 200,000 tonnes of ethylene.

Mr. Fairtlough said: "Forward projections for ethylene demand have fallen dramatically and if the Mossmorran cracker is sanctioned it may be necessary for the material to be absorbed in the U.K."

● Mr. Peter Shore, *Environment* Secretary, has approved a £20m. expansion scheme at the Staveley Derbyshire, Vinatex PVC plant, in spite of objections on safety grounds from local councils and individuals at a public inquiry last June. Vinatex have been given permission to double output of PVC to 160,000 tonnes a year.

Brick output declines

Financial Times Reporter

GOVERNMENT statistics released yesterday show that brick production declined slightly towards the end of last year.

Provisional figures collected by the Business Statistics Office on behalf of the Department of Environment, show that some 350m. bricks were produced in December, with 292m. delivered *to building sites. Stocks*, however, rose from 809m. to 868m., representing about two months' current production.

Brick production dropped by 1 per cent. in the last quarter of 1977 and was around 4 per cent. down over the corresponding period last year. Deliveries in the last quarter were 3 per cent lower than in the previous quarter, but only 1 per cent. down on the 1976 figure.

In 1977 as a whole, production of bricks dropped by 6 per cent., and deliveries were down by 12 per cent. compared with 1976.

More Thistle oil for the State

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH NATIONAL Oil Corporation has gained access to a further supply of North Sea crude oil.

The corporation, which is about to begin oil trading operations, has increased its supply of crude from the Thistle Field as a result of agreements with the German Deminex group and Charterhouse Petroleum Development. The deals complete a series of State participation agreements with companies in the Thistle *project*.

Charterhouse has agreed to sell to BNOC the whole of its 1 per cent. share of crude oil and natural gas liquids produced from block 211/18 which includes *the Thistle field. It is thought* that the deal is worth about $140m at current prices.

The Department of Energy said that, because of the small size of the company's interest, the sales agreement was negotiated in place of the normal participation deal which usually provides BNOC with an option to purchase 51 per cent. of any oil produced.

According to the brokers Wood Mackenzie, Charterhouse *owns about 5m barrels of the* recoverable oil. The field is due to begin producing oil in commercial quantities within the next few weeks, posing a disposal problem for Charterhouse. It has no oil outlets of its own.

Charterhouse has agreed a provision by which ordinary participation arrangements might be negotiated in the event of it *increasing its Thistle stake* or acquiring an oil interest elsewhere on the U.K. Continental Shelf.

Deminex U.K. Exploration and Production and Deminex Oil *and Gas have agreed State* participation terms covering their interests in the Thistle Field, in other areas of block 211/18 and in associated facilities. Under the arrangement BNOC will have the right to buy at market price up to 51 per cent. of Deminex's oil.

In addition, Deminex, which has a 41.03 per cent. interest in Thistle, has provided BNOC with additional voting rights under the field-operating agreements.

The State-owned Deminex companies are subsidiaries of Deutsche Erdoelversorgungs-gesellschaft.

Building society for Hebrides

THE LEICESTER Building *Society's 17th branch in Scotland* —and the first ever in the Hebrides—was officially opened at Stornoway yesterday by Mr. William F. Carrocher, station manager of BBC Radio Highland, Inverness.

The Leicester has appointed a Lewis man, Mr. Alex Murray of Ness as manager of its new branch. Mr. A. Scott Durward, the society's deputy general manager, said that the opening of the Stornoway branch represented the *Leicester's* commitment to serve more remote areas.

Engineering export orders fall

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE STEADY downward trend in new export orders for the engineering industry continued into October, according to Department of Industry statistics published to-day.

They show that orders from overseas fell 4 per cent. during the three months to October.

As a result, export order books remained almost unchanged from the end of May to the end of October, 26 per cent. below the peak reached in 1974.

The level of home orders also remained virtually flat at 46 per cent. below the 1974 level.

The flow of new orders for the domestic market, however, increased by 6 per cent. during the three months to October. This was mainly due to contracts placed with the electrical engineering industries says the Department of Industry in Trade and Industry magazine to-day.

Total new orders rose by 2.5 per cent. between July and October and sales by 1.5 per cent. The trend of total orders-on-hand continued unchanged.

As the Engineering Employers' Federation pointed out earlier this week, all the indications are of a very slow recovery of demand and output.

A decisive factor in the disappointing export performance by the engineering industry in the second half of 1977 was the relative strength of sterling against other currencies.

"Certainly the long-term benefits of a stronger currency have yet to be felt and in the short term it cannot help export prospects," commented the federation.

HOME NEWS

Orders for 67 ships won by State yards

By Ian Hargreaves, Shipping Correspondent

YARDS NOW in the British Shipbuilders organisation booked orders for 67 merchant ships of 517,182 gross tons last year — an intake roughly equivalent to half the industry's total annual capacity.

The order book at the end of 1977 stood at 137 ships of 1,568,014 gross tons, valued at £832m. Just less than half of these orders — 58 ships of 764,778 grt and worth £387m. — are for overseas registration.

On the naval side, the total order book is for 44 ships valued at £644m. Three of these ships were ordered in the final quarter of the year.

Merchant ship orders were up 35 per cent. on a gross tonnage basis on 1976 and the majority of the 1977 orders — 450,000 grt out of a total of 517,182 grt — were taken after British Shipbuilders' vesting day in July.

British Shipbuilders said yesterday that extremly difficult market conditions were expected to continue for a long time. The corporation's response was to develop a "thrusting, broadly based marketing strategy, associated with a concerted effort to increase cost-effective working in yards, so ensuring the tightest possible competitiveness."

The next major marketing trip by British Shipbuilders will be to India and Pakistan next week. This comes after recent visits to Mexico and the Far East.

British Shipbuilders moves formally into its new headquarters in Sandyford Road, Newcastle upon Tyne, on Monday. The corporation's marketing division will occupy premises in Knightsbridge, London.

Reliant Motor director quits over programme

THE RESIGNATION yesterday of Mr. Barry Wills, 36, director of product development at Reliant Motor, the Tamworth manufacturer of Scimitar estate cars and three-wheelers, makes him the third director to quit since Nash Securities acquired the company last year. It takes effect at the end of the month.

Mr. Wills said last night he had been unsettled since the takeover and had been unable to reconcile himself to the programme proposed after Mr. Ray Wiggin, former managing director, had left. The other director, who resigned last October, was Mr. Roger Musgrove, in charge of marketing.

Before the takeover Reliant was collaborating with Leyland Cars in development of specialist models such as soft-top sports cars, which would have filled gaps in the Leyland range.

This has been drastically revised by the new management, which also reduced the forward programme for Scimitars substantially down from the 80 a week planned by the former management.

Rolls-Royce outlines project cash needs

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has told the Government, through the National Enterprise Board (which owns the company), that it is likely to need a substantial injection of development cash for new engine programmes over the next five years.

In its development plan for 1978-82, recently sent to the Government and the NEB, the company makes no specific cash requests. But it identifies the major programmes it expects to work on over the period and estimates its likely total cash needs amounting to several hundred million pounds.

The programmes include continued development of the RB-211 engine in various versions, with emphasis on the 524 model with upwards of 48,000 lb thrust, and the 535 model of 32,000 lb thrust. There is also a new engine, the RB-432, of about 20,000 lb thrust, which is a replacement for the existing Spey, in the short-to-medium range airliner market.

A fourth venture might be the RB-401, a new engine of about 5,500 lb thrust, for business jet aircraft.

The 524 model of the RB-211 is already in production for long-range Lockheed TriStars and Boeing 747 Jumbo jets. The company sees a continuing big market for this engine.

Only limited sums have been spent so far on the 535 version of the RB-211 and on the RB-432, but Rolls-Royce believes that both could become big ventures and even be vital to the company's continued existence.

At this stage, Rolls-Royce cannot say precisely when markets for any of these engines will emerge. Much will depend on what the world's aircraft-makers do and on what the main U.S. and European airlines want.

Rolls-Royce is trying to get the RB-211 model 535 into the next generation of Boeing short-to-medium range jets, on which a production decision is expected by his summer.

The company's aim in sending the Government its five-year plan now is to give advance warning that it may need big sums of development cash—perhaps even starting later this year—and that it may need the money quickly, to get programmes rolling.

It wants to be sure that the Government and the NEB are not taken by surprise but are able to respond quickly. Such speed of response is considered vital if new engines are to be developed on time to meet market demands.

The five-year plan also contains forecasts of financial results. The company yesterday denied reports that it lost £100m. last year. It said it would break even, against a loss of £22m. in 1976.

The company also dismissed as "nonsense" suggestions that cumulative losses over the next five years might amount to as much as £350m.

Labour News Page 8

British Aerospace to cut its labour force by 500

BY RHYS DAVID, NORTHERN CORRESPONDENT

BRITISH AEROSPACE, the nationalised arcraft manufacturer, is to cut its labour force at three Manchester factories by about 350 over the next three months because of shortage of work.

The organisation has also announced that it is unlikely to be able to offer jobs to all the 130 apprentices and other trainees who will complete their training with the division during 1978.

The State aircraft maker's three Manchester factories—at Chadderton, Failsworth, and Woodford—mainly manufacture Nimrod reconnaissance aircraft, including the early warning version recently ordered by the Royal Air Force, the HS-748 twin turbo-prop short-range aircraft, and wings for the European Airbus, but it has been affected by the world slowdown in aircraft orders.

The Manchester factories are working on 40 HS-748s which have been developed for civil, military and coastguard use, but the company said yesterday that future orders for this and other aircraft were not sufficient to justify maintaining the 6,850 workforce at its present level.

Though RAF orders have been placed for the Nimrod early warning version, much of the work remains at the design stage and has yet to reach the shop floor.

British Aerospace said yesterday that, although formal notices of redundancy had been given to the Department of Employment and the trades unions, it was hoped the rundown could be largely achieved by internal and external transfers, retirements, and voluntary redundancy.

Employees will also be encouraged to transfer to other factories within the group where vacancies exceed the surplus at Manchester.

'Long time' to Melbourne Concorde

IT WILL be a long time before Concorde arrives in Melbourne, Mr. P. Nixon, Australia's Transport Minister, said yesterday. He was in Britain for four days of talks about Concorde's route. Before flying to New York he added: "There are still difficulties with Malaysia over air rights.

"British Airways apparently intends to keep the Singapore route for a long period before continuing to Melbourne. I have no idea how long that period will be."

Mr. Nixon did not expect problems when the airline decided to extend the route. "I have told Ministrs and British Airways that we will facilitate the entry of Concorde into Melbourne.

"There has to be an agreement between British Airways and Qantas, and between the British and Australian Governments. I believe the terms of condition for the route will be agreed."

The Minister did not expect problems from environmentalists protesting about noise. "We have had an impact study done and I cannot foresee difficulties."

Mr. Nixon had talks with Mr. Clinton Davis, Minister responsible for aviation, Mr. Rogers, Transport Minister, and Dr. Dickson Mabon, Energy Minister. He talked also with British Airways officials.

Report likely to attack rail fares

FINANCIAL TIMES REPORTER

THE PRICE Commission is putting together the final draft of a report on British Rail fares, due out early next month, which is likely to criticise strongly the policy of increased commuter fares.

The report is expected to highlight the unfairness of making commuters pay more when rail fares rise because they are virtually a "captive" market.

The Commission's concern at this policy has already forced British Rail to abandon plans to increase some cheaper commuter fares by as much as 25 per cent. when the latest round of fare rises came into force at the beginning of this month.

The average fare rise was 14.8 per cent. but commuter fares in London and the South East rose by an average of 16 per cent. The maximum increase on any one line was 20 per cent.

Some Labour MPs are also said to be unhappy at the effect of high fare rises on marginal constituencies in commuter areas.

Spending on industry 'too low'

FINANCIAL TIMES REPORTER

THE LEVEL of manufacturing investment in the U.K. was ridiculously low, Sir Fred Catherwood, chairman of the British Overseas Trade Board, said yesterday at Birmingham University.

"British industry desperately needs the tools to maintain its momentum in export markets," he added. "Our investment per worker has been consistently lower than that of all our major competitors and the time has come when we must catch up."

In the seven years to 1975, for every £1,000 of British investment the Americans had spent £1,455, the Canadians £1,642, the Germans £1,648, the French £2,079 and the Japanese £3,769.

More investment was a major necessity if we were to increase our share of world trade.

Airport fees cut

The British Airports Authority is cutting charges at its four Scottish airports — Aberdeen, Edinburgh, Glasgow and Prestwick—and at Stanstead, Essex for light aircraft operators, including business aircraft, from February 1.

SE change

Mr. Jeffrey Knight, deputy chief executive of the Stock Exchange, is to relinquish direct responsibility for the management of the quotations department to allow him to play a greater role in major policy issues. Mr. Knight's successor will be Mr. Gavin Fryer, who will have the title of head of quotations.

Humber tolls

The Transport Department is to be asked to approve a car toll of 80p for crossing the £61m. Humber Bridge.

Europe move

The Association of the British Pharmaceutical Industry is joining the industry trade associations of 13 other West European countries to form a European federation. It is hoped that the new European Federation of Pharmaceutical Industries Associations will begin operations in the late spring. The headquarters will b ein Brussels.

Judgment in 'agent' case reserved

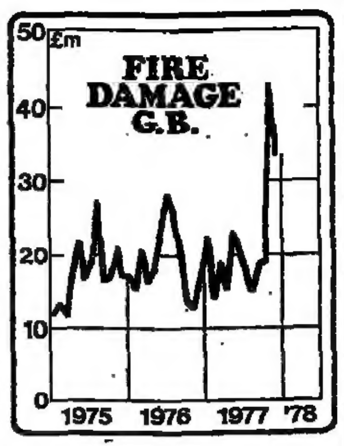
THE JUDICIAL Committee of the Privy Council yesterday reserved judgement in the appeal by the Australian Mutual Provident Society, of King William Street, Adelaide, against the decision of the South Australia Supreme Court that the society must pay $A3,226 to Mr. Lancelot John Chaplin, of Sabina Street, Salisbury, South Australia, in lieu of long service leave.

Mr Terry McRae, for Mr. Chaplin, said that he was an agent of the insurance society. The society denied that he was employed by them and contended that he was a self-employed agent.

Strike boosts cost of fire damage to record £261.7m.

BY JOHN MOORE

THE FIREMEN'S strike pushed the cost of fire damage in Britain to a new record of £261.7m. last year.



This is nearly £25m. more than the previous record set in 1974, when the Flixborough explosion accounted for £36m. of the £237m. total

Damage in 1976 amounted to £231.7m.

Latest figures from the British Insurance Association show that the damage figure for December of £33.8m., although lower than November's £42.7m. was still nearly double the average for the month.

December's figure was not as high as originally feared, however, The long holiday period, when industry shut down, checked the rise.

Without the firemen's strike, last year's figures would probably have been lower than those for 1976. For the ten months to October the cost of damage was £185.2m.—8 per cent. less than in the comparable period of 1976.

January's figures will still show the effects of the strike as the firemen did not return to work until the 16th.

The number of fires estimated to have cost over £1m. or more for the full year fell from 25 in 1976 to 19, in spite of the strike. The number of fires costing more than £25,000, however, rose by 76 to 1,117.

Alliance will keep 6% interest rate

BY ADRIENNE GLEESON

ANOTHER building society is to break ranks from February 1 by holding its interest rates on existing deposits despite the recommendation of the Building Societies Association that returns to investors should be cut.

Alliance Building Society, one of the 10 biggest, has followed its even larger competitors, Abbey National and Leeds Permanent, in deciding to continue to provide a return of 6 per cent. tax paid on existing deposits at January 31.

The Building Societies Association has recommended that the rate be cut to 5.5 per cent. tax paid (equivalent to 8.3 per cent. gross) from February 1, to mirror the fall in the rate charged to borrowers.

Like Abbey National and Leeds Permanent, Alliance will hold its existing rates at least until the end of April.

Betting duty £2.5m. up

FINANCIAL TIMES REPORTER

A TOTAL of £23.6m. was collected in betting and gambling duties in December, 1977, an increase of nearly £2.5m. on December, 1976.

Of that, more than £11.4m. was in football pool betting duty, which normally shows a seasonal increase in the period up to Christmas.

At the same time, receipts from off-course bookmakers at £9.7m. were down on the previous month, when receipts were £13.3m., but up by more than £1m. on December, 1976.

Total receipts for the last quarter of 1977, at £79.9m., were more than £10m. up on the same period of 1976, while the 12-month total for the financial year 1976-77 has already been passed in just over nine months of 1977-78.

Forecast of 3½% GDP rise

BY OUR ECONOMICS CORRESPONDENT

A BULLISH view of prospects for the economy and living standards during the next few years has been projected by Staniland Hall, a firm of economic advisers and business consultants.

In the latest issue of its Economic Indicators for Company Planning, the firm expects a rise in real Gross Domestic Product of 3½ per cent. a year on average between 1977 and 1982

A rise in the volume of consumer spending of 3¾ per cent this year and of 3¼ per cent. in 1979 is forecast.

Consequently, in the first half of 1979 spending volume is expected to be 7½ per cent. higher than in the first half of 1977, the low point of the current cycle, and 4 per cent. up on the first half of 1973.

Staniland Hall envisages a marked recovery in discretionary spending in the next five years—in particular, with a rise in durables, accompanied by a substantial expansion of credit—and in expenditure on alcoholi drink and overseas holidays.

Over the period to 1982, livin standards, as measured by re disposable incomes, are projecte to rise by 3 per cent. a yea This compares with a 1 per cen a year increase between 1972 an 1977 and 4½ per cent. a yea between 1969 and 1974.

● A bullish view of the prospect for inflation during the next 1 months has been set out in th latest analysis from Simon an Coates, stockbrokers.

Whitehal unhappy on Cross proposals

BY MICHAEL LAFFERTY

INDICATIONS EMERGED ye terday that the Government not satisfied with the outcom of the Cross Committee inquiry into the disciplinar procedures of the U.K. accoun ing bodies.

Speaking at a chartere accountants' dinner last nigh Mr. Kenneth Sharp, head of th Government Accountancy Se vice, said that the Cross Con mittee was "not as specific its proposals as might reasonabl have been hoped."

The profession's reaction, b setting up another committe under Mr. John Grenside, Pe Marwick Mitchell's senior par ner, to develop the Cross pr posals was "fully understood an endorsed in Whitehall."

Mr. Sharp said that to tal of exasperation in Governmen with the accountancy professio was "flying in the face of th facts."

"Nevertheless, the stronge the solution the Grenside Con mittee proposes the greater wi be the degree of Governmen and public confidence."

Employment protection 'costs jobs'

By Our Midlands Corresponden

EMPLOYMENT PROTECTIO legislation introduced by th Labour Government is losin people jobs, according to survey conducted by the Birn ingham Chamber of Commerc

More than 200 companie responding to a questionnair claimed that a total of 897 po sible jobs were not filled in 197 as a direct result of the legisla tion—an average of four to fiv jobs per company.

Mr. Richard Hale, presiden of the chamber, announced a the annual banquet in Birming ham last night that har evidence was being collecte about the impact of legislatio upon the labour market.

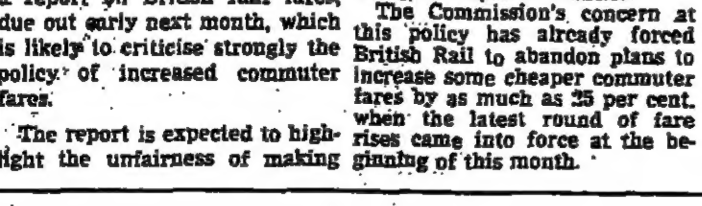
He told the Prime Ministe the special guest: "We are no asking for a return to the ag of Dickens.

"We are asking for som recognition that a reasonabl free job market offers the be chance for employment growt

NORTH SEA OIL REVIEW — BY RAY DAFTER

Murchison: drawing on experience

A WELL-THUMBED book is kept close at hand by Dennis Gregg, Continental Oil's vice-president and general manager of the Murchison Field development project. Its cumbersome title is: Application of Prior North Sea Experience to the Murchison Project Development Planning. The 70-strong project team know it better as the "Book of Errors."



This is hardly fair, for while it does detail many of the problems that have frustrated the development of the first generation of North Sea oil fields it also relates the progress that has been made in bringing such vastly complex and costly projects to fruition.

Conoco is faced with developing a medium-sized field in some of the deepest, fiercest waters so far tackled by the oil industry. The cost of the development is put at around £500m. which will make Murchison by far the most expensive single construction job that the U.S. group has ever undertaken.

However, Conoco and its partners benefit from the fact that Murchison will be the first of the second generation of North Sea fields. Hence Mr. Gregg's determination to draw on the experience gained by those involved in the first generation—Forties, Brent, Piper and so forth.

"Some of the important things that they have shown are the need for the thorough preplanning of the project; the need for substantial completion of design work in advance of the platform's fabrication; and the need for a well thought out project management concept," said Mr. Gregg.

These prerequisites might seem obvious, particularly to contractors more used to building large land-based complexes. However, there was a good deal of last-minute innovation associated with the development of early North Sea fields. The oil industry was breaking new technological barriers in terms of the size and complexity of production units. Because of the urgent need to bring these first fields on stream, companies were tackling many of the problems during the construction and installation stages. Equipment and designs were constantly being revised.

But now, with oil flowing ashore in substantial quantities, companies are taking more time to plan second generation fields.

And so it was with Murchison, discovered in the Brent Sands reservoir in 1975. Even when the field's development was approved in September, 1976, much of the project planning had already been undertaken. In this respect Conoco was fortunate in having the nucleus of a project team which had been drawn together for the development of the Hutton Field (still to be authorised) and the U.K. portion of the Statfjord Field.

The expanded team is now assisted by a project services contractor, Bechtel International. Eventually there will be more than 3,000 people working on the construction of the steel platform and associated facilities.

A novel feature of the Murchison development plan, at least when set against the earlier development schemes, is Conoco's determination to iron out all of the wrinkles prior to the fabrication stage. Indeed, *inflexibility* seems to be the hallmark of the project, a far cry from the first fields where in some cases companies were proceeding with little more than conceptual drawings. Conoco has set up a Design Change Review Board which investigates in a formal way all applications for amendments in designs. In essence each change has to be justified. The question is asked: "It will inevitably alter the costs and the fabrication programme so is it really necessary?"

The platform design and work schedules were worked out before the fabrication contracts were placed. The five yards bidding for the main platform contract were given sections of pipe to weld as test pieces.

The order was placed with McDermott's of Ardersier, Scotland, on Friday, July 15 last year. On the following Monday steel was being delivered into the yard for work to begin. It will be interesting to see whether this almost split-second timing can be maintained, for the work schedule is ambitious. The platform is due to be installed on the field by the autumn next year and the first oil should be flowing by mid-1980.

In keeping with most of the other North Sea projects Murchison has attracted its own set of superlatives. The 25,000-ton platform "jacket" (the basic frame) will be by far the largest ever lowered from a barge. It will stand in 515 feet of water, within 17 feet of the North Sea's depth record held by the neighbouring Thistle Field. And it will be secured on the seabed by 32 of the biggest piles in the North Sea.

That said, Murchison is not regarded by Conoco as a major new-technology project. It is true that the field will be equipped with three sub-sea production wells: the 211/19-2 discovery well and the 211/19-4 appraisal well which will be used to boost oil production, particularly in the early years, and 211/19-3 which will be used for water injection. Both water and gas will be injected into the structure to help maintain reservoir pressure.

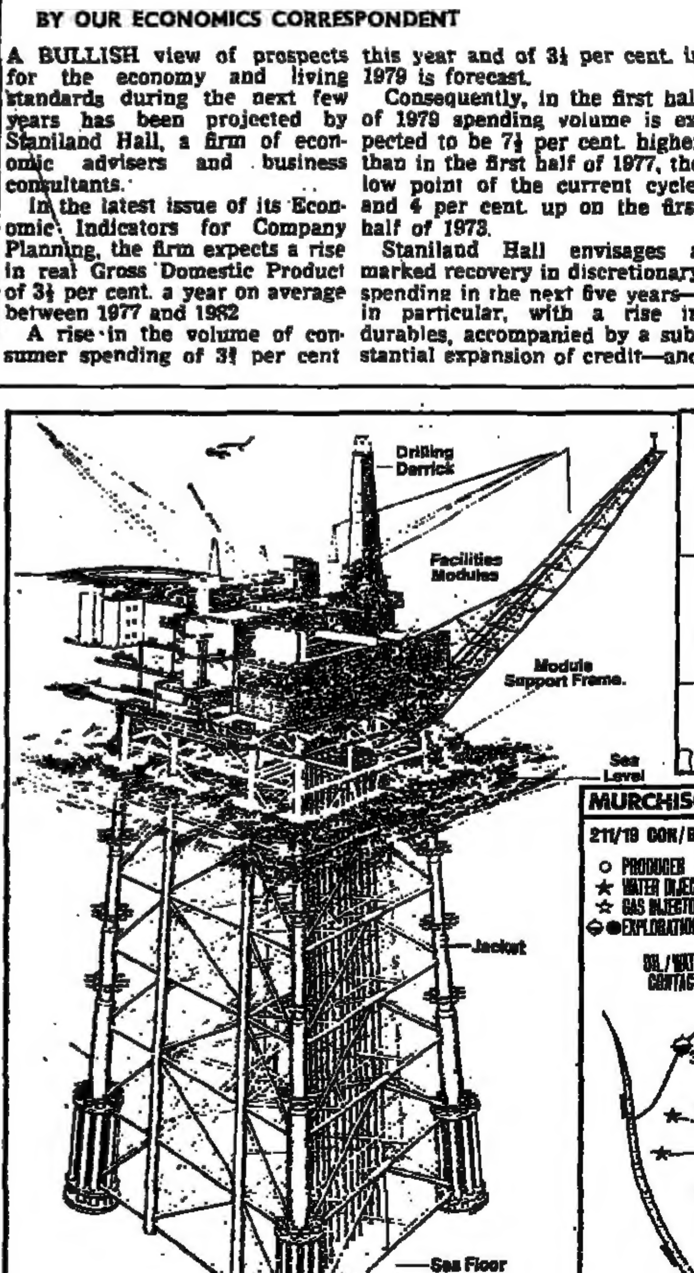
But the platform will be of conventional design. Conoco looked at the possible alternatives—new concrete or tethered leg structures, for example—but decided that these had not yet been sufficiently proven. If Murchison had been approved two years later, it might have been a different story.

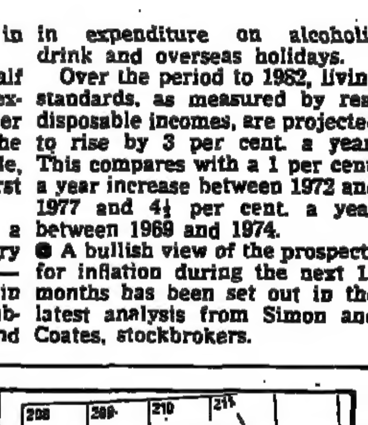
The field itself—named after the 19th-century Scottish geologist, Sir Roderick Murchison—is also relatively uncomplicated. The structure is roughly square shaped, bounded on three sides by faults and on the northerly side by the oil/water contact. This means that wells drilled from a centrally-placed platform should be able to reach all corners of reservoir with a well deviation angle of no more than 52 degrees.

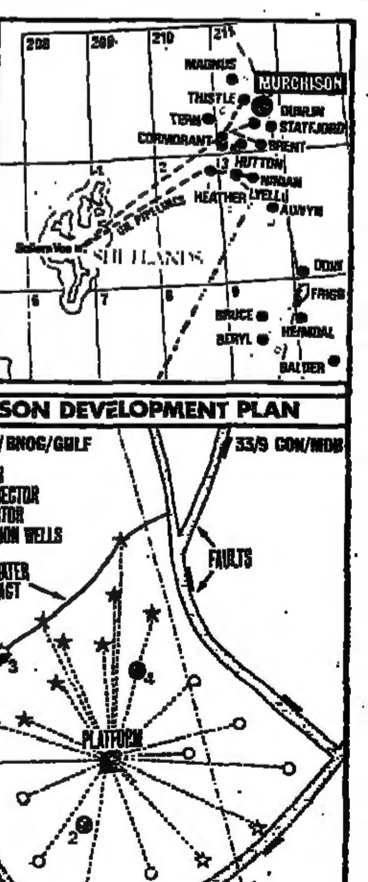
For a large portion of the structure, the pay zone is around 300 feet deep giving total estimated recoverable reserves of around 380m. barrels, assuming a 45 per cent. recovery rate. It is expected that peak production rate will be 150,000 barrels a day with an average rate nearer 130,000 b/d.

However, there is a complicating factor in that part of the field, perhaps 15 to 17 per cent., lies in Norwegian waters. While it is hoped that a field unitisation agreement will be signed this summer it is recognised that it could be 1979 or even 1980 before the British and Norwegian Governments sign a formal international treaty.

Conoco happens to be a partner in consortia on each side of the median line so, assuming that 83 per cent. of the reserves lie in the U.K. (the figure used by the Riggs National Bank of Washington) the company holds a 29.36 per cent. stake in the field as a whole. Working on this basis the U.K. partners—Gulf and British National Oil Corporation—each have a 27.66 per cent. share of the reserves. BNOC gained its interest following the transfer of the National Coal Board's former offshore interests. BNOC may not be the field operator but it has shown that it is not prepared to be a sleeping partner in the project either.







The other Norwegian partners in the venture (again assuming that they control a total of 17 per cent. of reserves) are: Statoil (8.5 per cent.); Mobil (2.55 per cent.); Shell (1.7 per cent.); Esso (1.7 per cent.); Saga (0.32 per cent.); Amoco (0.18 per cent.); Texas Eastern (0.18 per cent.) and Amerada Hess (0.18 per cent.).

Irrespective of how much lies on each side of the line, all of the produced oil will be carried via the Brent pipeline system to the Sullom Voe oil terminal in the Shetland Islands. (The Conoco group has taken over the pipeline capacity reserved for the transportation of oil from the Hutton Field, in which the consortium also has a stake. The way in which Hutton is to be exploited is still being discussed although the partners do have an option to buy another share of the pipeline operations.)

In a similar way, associated gas produced from Murchison —and recoverable gas reserves amount to over 150bn. cubic feet—will probably be transported via the Brent gas line to St. Fergus.

This transport arrangement could well lead to a unique North Sea swap agreement. For one option now being discussed is that oil from the Norwegian sector of Murchison will be exchanged (in some form of paper deal) with oil produced from the U.K. portion of the Norwegian-dominated Statfjord Field. It is a happy coincidence that partnerships in the neighbouring fields are identical.

If the deal comes off it will be another example of how the offshore producing regime is maturing. In the North Sea (south of the 62nd parallel) exploration is continuing in five different national zones. To the south and west the French and Irish have their own offshore areas adjoining those of the U.K. Therefore, it seems reasonable to assume that over the next few years oil companies will find several more fields that straddle median lines such as Statfjord and Murchison.

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LABOUR NEWS

Monday's tanker talks vital to petrol supplies

BY NICK GARNETT, LABOUR STAFF

THE OIL companies believe that a meeting on Monday of shop stewards representing tanker drivers could be vital in deciding whether there will be severe dislocation to petrol and oil supplies next week.

The stewards will discuss *Department of Employment* response to improvements they are seeking in a 15 per cent. offer from the company.

The Government has told them that the improvements, based on increased consolidation, would be outside guidelines, although Government *officials* are understood to be still examining one of the union proposals.

The major oil companies have been keeping in close touch with each other on pay negotiations, and interpretations on pay guidelines thrown up by the Shell talks are likely to affect any further negotiations at the other companies.

Shop stewards at BP, Esso and Texaco have decided to impose an overtime ban and work to rule from Wednesday. The companies believe there is a slim chance that the action might be called off if the Shell stewards accept the Government's ruling and decide to continue talks.

Union officials think that an increase of £2 on the general offer of a new £73 basic wage—providing maximum weekly earnings of about £115—would have been enough to allow a settlement but that if an overtime ban developed into a strike, the drivers might aim to achieve a new weekly basic as high as £90.

So far, Mobil appears closest to settling a deal, based on already existing productivity arrangements, without industrial disruption.

The Department of Energy issued a statement yesterday that it was watching the situation closely and the Government would decide what action to take, if any, in the case of disruption of supplies.

The Government is understood to have a framework of contingency plans based on protecting deliveries to essential services by using strategic distribution points, ready to meet a number of forms of industrial disruption.

An overtime ban and work to rule could cut petrol and oil supplies by between a quarter and a third although some companies say the damage could be greater.

● Lorry drivers in the South of England and parts of Yorkshire are on the point of settling a new pay deal, union officials say is outside pay guidelines.

Welsh miners back productivity scheme

BY ROBIN REEVES, WELSH CORRESPONDENT

THE LAST stronghold of resistance to pit-based productivity schemes crumbled yesterday, when it emerged that South Wales miners have voted decisively in favour of dropping their opposition to a scheme in a pithead ballot.

The result was 13,638 votes in favour and only 6,328 votes against, in an average poll of about 70 per cent. of all South Wales miners.

The decision went against the recommendation of the area executive of the National Union of Mineworkers, which called for a rejection of pit-based incentives in favour of a bonus deal based on the average output across the whole South Wales coalfield.

It compared with an 83 per cent. rejection of the Coal Board's productivity plans by South Wales miners last October.

Commenting on the results, Mr. Emlyn Williams, the South Wales miners' president, said he was *obviously disappointed* and he still regarded it as a retrograde step. But he accepted the decision of the ballot and would be commencing negotiations with the Coal Board to-day.

Mr. Philip Weekes, the South Wales area director of the NCB, issued a statement *saying* he was pleased that the South Wales rank-and-file had opted for the same scheme as the rest of Britain.

"I know that many miners have had reservations, but they are realists, and we will do all we can to ensure the scheme works fairly, and together we will try to avoid the old problems," he said.

Mr. Weekes added that he hoped they would be able to start method studies with at least a dozen collieries within a few days, and, as soon as standards were settled with local lodges, the Board could begin to arrange incentive payments.

Threat by water workers

By Philip Bassett

WATER WORKERS, who want a settlement similar to that which ended the firemen's strike, threatened *industrial action* yesterday to achieve their aim.

The water-supply industry workers have been offered pay increases within the Government's 10 per cent. guidelines. The first warning of industrial action by the 30,000 workers *came from the* National Union of Public Employees' West Midlands Water Area Committee.

"Under no circumstances can the offer be regarded as fair and reasonable. The claim was for a basic £50 minimum a week and the offer produced only one of £44.72," Mr. Roger Poole, NUPE assistant divisional officer, said.

Feelings were "running extremely high" among workers. Unless the offer was improved substantially his area committee would have no alternative but to recommend industrial action to the national executive.

A delegate conference of the General and Municipal Workers' Union, with the largest single membership of water workers, has decided in favour of a settlement on "firemen" lines.

The demand is likely to be put to the employers at a joint meeting next week.

The firemen were promised further rises this November and in November 1979 to link their earnings with those of skilled workers.

The linking of public and private sector pay presents *problems for the water industry*, said Mr. Charles Donnet, GMWU national industrial officer. They needed to be examined "in the context of the public sector as a whole."

£30 more in pay packets as pit bonuses start

BY OUR LABOUR EDITOR

MINERS IN the Midlands and North-West *will* to-day receive the first bonus payments from locally-negotiated output incentive schemes.

Faceworkers at several pits have earned more than £30 a week extra after exceeding the targets agreed between colliery managers and their union branch officials.

The bonus could be as high as £40 a week in some cases, according to the National Coal Board.

On-account payments have been made in some areas already, but to-day marks payment of the first fully calculated bonuses.

Those areas of the National Union of Mineworkers which were first to apply for incentive schemes have also piled up a considerable backlog of bonus.

In the wake of the South Wales miners' decision yesterday, the whole country is now covered, but South Wales and Scotland have still to sign agreements.

For the men at the face, bonus payments in these early stages are adding up to nearly 50 per cent. to their day-wage of just over £71 a week.

The National Coal Board will not hesitate to give the bonus payments the widest publicity, faced as it is with the first full negotiating session next week on *the NUM's claim for £135 a week* for the faceworkers and pro rata increases for other underground and surface workers.

Although the claim for about double the present basic rates was devised as a target rather than an immediate demand, NUM leaders have already said they will not accept a 10 per cent. national settlement on the day wage just because that is the Government's income policy limit.

They remain committed to a high basic wage irrespective of bonuses. For the longer term, neither the Coal Board nor the union can afford to see the national agreement undermined by the weight of local output-related bonuses.

TUC demands homeworkers' minimum

By Our Labour Staff

THE TUC called yesterday for minimum wages and statutory conditions of employment for more than 250,000 homeworkers whose pay is "astonishingly low," a "going rate" of £10-£15 for a 30-40-hour week.

In a statement sent to Mr. Albert Booth, the Employment Secretary, by the General Council, Mr. Len Murray, General Secretary, said: "It is not in the interests of homeworkers themselves, factory and office workers, responsible employers or Government that exploitation should continue."

The report stresses that the TUC does not wish to encourage homeworking, which mainly involves women with family commitments, the disabled, the retired and immigrants. Their rate of pay is about a quarter of the average earnings of women in full-time employment.

The report *proposes* a tripartite committee to advise the Employment Secretary and make annual reports.

The Government should make clear whether homeworkers are employees or self-employed.

● Mr. Jack Ashley, Labour MP for Stoke-on-Trent South, who has pressed the case in Parliament, said the "sweated labour" of homeworkers was "a national disgrace." He was asking for a Parliamentary select committee on the problem.

Hoover recalls 440

HOOVER is recalling 440 workers laid off at its Cambuslang factory, near Glasgow, which has been hit by a delivery drivers' strike in Wales.

The drivers have withdrawn their pickets from the factory, while talks are held to-day, and Hoover wants the 440 workers to report for duty to-day.

The strike, by 47 drivers based at Cyfarthfa, near Merthyr Tydfil, south Wales, follows their *rejection of a* basic 10 per cent. pay rise offer. The men are demanding extra payments involving overtime.

The peace talks are being held under the auspices of the Engineering Employers' Federation, but the location is being kept secret.

More than 2,600 workers are still laid off at Hoover's Merthyr washing machine factory and it is not known when the company will bring them back to work

The Merthyr factory has been worst hit by the dispute, with pickets halting all deliveries at the plant, Hoover's biggest in Europe.

Many production lines have been disrupted by a shortage of supplies as a result of deliveries being turned away by strikers who belong to the Transport and General Workers' Union.

Rolls-Royce lay-off warning

BY OUR LABOUR STAFF

ROLLS-ROYCE's Midlands disputes were complicated further yesterday when management gave a warning that unless a sit-in at one of the company's factories near Coventry is called off by to-night more men will be laid off.

The company is dealing with three disputes in and around Coventry. Talks were still going on yesterday to try to reach an agreement on an end to piecework at the aero-engines plant at Parkside.

The agreement is a condition of negotiations starting on a pay claim by 2,600 manual workers which the company says totals at least 40 per cent. Rolls-Royce has offered across-the-board increases of £2 and additional differential payments.

An overtime and sub-contracting ban by manual workers threatened production of the RB199 and Pegasus engines made at other Rolls-Royce plants for the Tornado and Harrier aircraft, but the Parkside plant is working normally as talks go on.

Two smaller groups of workers doing broadly the same job are sitting-in at Rolls-Royce plants at Ansty and Parkside. The 52 Ansty shop loaders and the 68 *Parkside* progress tracers are both in dispute over job gradings.

Eight-hundred and fifty manual workers have been laid off from the aero-engine works at Ansty, and management gave a warning that a further 80—members of the same union as the shop loaders, the Association of Professional, Executive, Clerical and Computer Staff—will join them if the sit-in is not called off.

No men have been *laid off* in the similar dispute at Parkside, although the men sitting-in, like the Ansty men, have been suspended.

British Leyland talks go on

RESUMED TALKS were still going on last night to try to find a settlement to the 12-week-old unofficial strike by 2,000 workers at the British Leyland car plant at Speke, Merseyside.

National and local union leaders, shop stewards and Leyland management officials were meeting in Coventry over the dispute which has stopped production of the Triumph TR7 since November last year and in which 3,500 men have been laid off.

● Hopes of a return to work of 1,000 pressroom workers at the Ford car factory at Halewood, Merseyside, rest on a meeting adjourned on Wednesday until this morning.

Foot apologises for delay in Scotland Bill voting

BY PHILIP RAWSTORNE

TORIES WERE incensed by it . . . the Speaker strongly deprecated it . . . Mr. Michael Foot sincerely apologised for it.

Not for more than 50 years had the Commons been forced to wait for a vote because MPs were still lingering in the lobby for an earlier count.

The men who kept the Commons waiting were Mr. Walter Harrison, Government deputy Chief Whip, and two other Whips, Mr. Jack Dormand and Mr. Jock Stallard.

Two Scottish Nationalist MPs—Mr. Hamish Watt and Mr. Douglas Henderson—were also chatting in the lobby while the tellers stood at the door to record their votes.

Mr Speaker Fitzroy had taken a stern view in 1926 of such a possible obstruction to the democratic process. And Speaker Thomas took a dim view yesterday of the previous night's events when Tory MPs claimed that the Government was trying

Mr. Hamish Watt . . . queried "all the excitement."

to avert defeat on the Scotland Bill by such "cheating."

Wednesday night's sequence went like this:

10.26 p.m. Labour rebel, Mr. George Cunningham's amendment requiring devolution to be confirmed by 40 per cent. of the total Scottish electorate was put to the vote.

10.38 p.m. The Government was defeated by 166 votes to 151. It had taken 12 minutes, slightly less than usual, for the count.

10.39 p.m. Another amendment, supporting the first, was called. The division bells rang again. Fifteen minutes passed and those MPs who had voted and returned to their seats grew restive.

Mr. Kenneth Lewis, Tory MP for Rutland, donned the top hat which is needed to attract the attention of the chair during a division. MPs were sitting in the Government lobby and not being counted, he complained.

Amid cheers, Sir Myer Galpern, Deputy Speaker, sent Col. Peter Thorne, Serjeant-at-Arms, to investigate.

Labour MP, Mr. William Hamilton, said that at least five MPs were flatly refusing to leave the lobby. "Cheat, cheat," shouted the Tories.

The Serjeant-at-Arms returned. There was a whispered consultation—and Sir Myer ordered the tellers to report their count.

10.58 p.m. Two minutes before the scheduled close of business and 19 minutes after the vote began, the second Government defeat was announced: 168 votes to 142.

10.59 p.m. Mr. Jo Grimond, poised on the edge of his seat, leapt to his feet to propose that Orkney and Shetland be given the right to opt out of devolution. "A damned close run thing if I may say so," he added.

Amid Tory jubilation, the Government was defeated again by 204 votes to 118.

Mr. Foot told the Commons yesterday that he had conducted immediate inquiries into the MPs who had dallied in the lobby.

They had "apparently been engaged in an altercation . . . about a subsequent division," he told MPs. "I think this discussion was improperly prolonged and could have affected the timing of the next vote, although in the event, it did not."

Such action could not be condoned and would not happen again, Mr. Foot apologised.

The MPs might well have been disciplined at the time, the Speaker rejoined. But that would only have caused more delay and the vote could not have been taken.

Mr. Francis Pym, Tory spokesman, amid Labour protests, said that Mr. Foot's statement had been "half admission, half excuse." There had been a deliberate attempt to prevent a vote taking place.

Sir Myer Galpern . . . order to Serjeant-at-Arms.

Mr. Walter Harrison, now sitting in the gangway between the Government benches, remained sheepishly silent. But Mr. Hamish Watt, "as one of those involved," said he could not understand "all the excitement."

Scottish Nationalists had been engaged in a prolonged discussion with Government whips, he admitted. But there had been no deliberate attempt to delay the vote. "We could have done that in the orthodox way with points of order" he said, to laughter.

"I think you have helped the House enough by now," the Speaker responded—and the issue was laughed off for the moment, at least.

To-day, a report by the Serjeant-at-Arms, naming the "offenders," is to be published in Hansard. Senior Tories believe that Mr. Harrison, at least, should resign as Government deputy chief whip over "this abuse of Parliament." He has been criticised before for his unorthodox whipping techniques. None of which, by the way, have brought the Government any success.

There are demands, too, for a time limit on future Commons divisions.

Mr. Foot could also have to resign himself to the fact that the Government may be unable to clear the obstacles now placed in the path of its devolution plans. The Lord President yesterday declared that the Government would attempt to reverse the defeats next month on the Bill's report stage.

Tory leaders, with their own proposals for referenda to curb union excesses, are not too happy about fixing precise percentages to the size of vote required in such polls to justify action.

But the massive majority for the right given to Orkney and Shetland to opt out of devolution will not be easily whittled away.

The Lords—and even more commoners—may begin to look with greater scepticism on a devolved Scotland with an English enclave in the oil-rich islands.

Poll shows fall in Assembly support

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

CONFUSION OVER what the Scottish voter actually thinks of devolution came last night when a poll produced for the Scotland is British campaign showed there had been a sharp fall in support for an Assembly compared with six months earlier.

In answer to the question: Would you vote in favour of the devolution Bill in a referendum, only 38 per cent. replied: Yes. This compares with 43 per cent. in a similar poll last June and 55 per cent. in February, 1977.

Those who said they would vote against rose by three points to 36 per cent. compared with 33 per cent. in June and 28 per cent. last February.

The poll, conducted by Fieldwork Scotland and taken on January 13 and 14 showed that 26 per cent. were "don't knows," against 24 per cent. in June and 16 per cent. 11 months ago.

The Scotland is British campaign is an all-party organisation set up to fight devolution.

In a second question only 19 per cent. favoured the break-up of the U.K., a large drop from the 26 per cent. in June, 1977. Seventy-one per cent. opposed break-up (68 per cent.) and 9 per cent. were don't knows (6 per cent.).

This swing against devolution conflicts to some extent with other polls of a similar nature taken recently. NOP Market Research, for instance, found in December that 57 per cent. were in favour of the Government's plans for an elected assembly in Scotland, with only 28 per cent. against. Significantly, 46 per cent. of the Conservatives polled said they favoured the plans.

If the Scotland is British campaign figures are correct there would be no chance of an Assembly coming into being given the amendment carried in the Commons on Wednesday night which lays down that 40 per cent. of the total electorate must be in favour of devolution in any referendum before the Government can set up an assembly.

Sounds of anger . . . but joy in Shetlands

FINANCIAL TIMES REPORTER

DEVOLUTIONISTS in Scotland were predictably enraged yesterday by the failure of the Government to beat off amendments which could undermine the whole concept of devolution.

They were particularly annoyed that a Scottish Assembly should have been made conditional on the "Yes" vote in the referendum receiving at least 40 per cent. support by the whole electorate.

Mr. Jim Sillars, MP for South Ayrshire and leader of the breakaway Scottish Labour Party, thought it would be impossible to restore the Bill's status quo. He was also apprehensively about the likelihood of 40 per cent. of the electorate actually voting for devolution.

"I anticipate the amendment being carried in the Act, which means that if we achieve exactly the same result as the Common Market 'Yes' campaign, the Scotland Act will be repealed by the Government." The campaign for EEC entry had been supported by only 36 per cent. of the total electorate.

Mr. Farquhar Macintosh, Rector of the High School, Edinburgh, and a leading member of the newly-formed umbrella group of pro-devolutionists, said the amendment was "an outrageous attempt to change the rules as the game proceeds."

Lord Kilbrandon, chairman of the umbrella organisation, thought that the proponents would just have to fight harder. "If we do a little better than the "Yes" vote in the Common Market referendum, that will satisfy us."

Indifference, he thought, would be equivalent to a "No" vote.

Mr. Hamish Watt, the Scottish National Party's chief whip in the Commons, was sure there would be a large turn-out "to ensure that England does not impose its will on the people of Scotland."

In Orkney and Shetland there was delight that a second amendment had been carried, giving the right to opt out of a devolved Scotland.

Mr. Alex Tulloch, convenor of the Shetland Islands council, was surprised but "very happy" at the decision, while Mr. George Marwick, convenor in Orkney, was relieved that the result did not bring a Scottish Assembly any nearer.

Healey firm on incomes policy

By Ivor Owen, Parliamentary Staff

BACK-BENCH Labour criticism of the Government's incomes policy failed to make any impression on Mr. Denis Healey, Chancellor of the Exchequer in the Commons yesterday.

He was joined by Mr. Joel Barnett, the Chief Secretary, in again emphasising the continuing need for voluntary arrangements which enable increases in pay to be kept in line with increases in productivity.

Ministers also contended that moderation in wage settlements played a major role in combating unemployment, and the Chancellor hinted that Mr. Albert Booth, the Employment Secretary, is likely to announce new measures to safeguard jobs, when he speaks in the unemployment debate in the House on Monday.

A demand from Mr. Robert Kilroy-Silk (Lab., Ormskirk) for a categorical assurance that there would be no "Stage Four" pay policy was brushed aside by the Chancellor, although he insisted that it was too early to give any firm indication of the form of restraint which the Government will seek to apply in the next pay round—except for ruling out any return to statutory controls.

While admitting that difficulties were caused by the rigidities in the present policy, Mr. Healey argued that it was a good deal more flexible than that operated in preceding years.

As for the future, Mr. Healey said he would like to see arrangements, if possible, which went further towards curing the distortions and inconveniences which had been developing over the last three years.

Support for the Chancellor was voiced by Mr. Giles Radice (Lab., Chester-le-Street), a leading member of the Labour Manifesto Group, who emphasised that many Labour MPs welcomed the fact that talks were taking place at the present time on future pay policy rather than wait until later.

Acknowledging this to be the case, Mr. Healey commented: "No one who has lived through the last 3½ years—indeed, the last 15 or 20—can doubt that maintaining a level of earnings which is close to the levels of increases in productivity is a pre-condition for curbing inflation to levels which would allow us to maintain high employment."

Nobody in the trade union movement with whom he had discussed incomes policy had sought to deny this view.

This led Mr. Enoch Powell (UU Down South) to interject: "It is total nonsense."

The Chancellor gave his hint of an announcement of new measures to safeguard jobs, when responding to further pressure from the Labour back benchers for determined Government action to ensure that the Temporary Employment Subsidy (TES) is followed by an equally effective successor scheme when it expires at the end of March.

He said: "I hope Mr. Booth will be in a position in the very near future to make an announcement about further measures of this nature."

Referring to objections raised by other EEC countries about the operation of the TES, Mr. Healey said he was confident that suitable adjustments could be negotiated which would satisfy the interests of all concerned.

Exchange control caution

By Ivor Owen

OPPOSITION PRESSURE for a further relaxation of exchange control brought a guarded response from Mr. Denis Healey, the Chancellor of the Exchequer, in the Commons yesterday.

While promising to keep it under continuous review, he said that there was a tendency in some circles to exaggerate grossly the effect of exchange control relaxation.

Referring to the adjustments last October, he stated that liberalising of sterling borrowing by non-resident controlled manufacturing companies for their U.K. business had stimulated some interest. This could lead to additional industrial investment from overseas.

The greater freedom for banks and insurance companies to retain foreign currency should help them compete for business abroad and so assist invisible earnings. This might also bring benefit in the longer run to domestic employment.

It was too early for more detailed assessment of the impact of the changes made in October.

Abolition of the 25 per cent. requirement would mean about £200m. less inflow into the reserves in 1978, but would enable U.K. portfolios of foreign currency securities to be managed more effectively.

Pay blacklist

FIVE OF the 19 firms blacklisted for breaching Government pay policy have twice ignored the official guidelines. Mr. Joel Barnett, Chief Secretary to the Treasury, said in a Commons written reply yesterday.

Tories promise to ensure Press freedom

THE NEXT Conservative Government would act to ensure Press freedom, Lord Redesdale, Opposition spokesman, said in the Lords yesterday.

Safeguards proposed by the Royal Commission on the Press were too vague and toothless, he declared. Lord Redesdale spoke of the danger of having a legally constituted Press charter. "If Parliament can set it up, Parliament can tamper with it. That is dangerous.

"When this party gets into power at the next election, we are going to do something about this. We will rectify the situation and ensure that we retrieve some of the freedoms that are in danger and, in fact, to a degree, have already been lost."

Lord Redesdale accused Mr. Michael Foot, Leader of the Commons, of ruthless determination to achieve his ends on the Press charter and the journalists' closed shop.

It was inevitable that a closed shop for journalists would lead to Press censorship by the union concerned. The pressures that could be brought to bear in a closed shop were enormous, and so was the harm that could be done to individuals.

Referring to new technology in the newspaper industry, Lord Redesdale said the situation was dismal. The price of new technology at the Daily Mirror had been enormous in terms of stoppages and of trying to get agreements.

Lord Wigoder (L) said that journalists, like the police and armed forces, were so important to our society that they must be free to decide for themselves whether they wanted to join a union and take part in its activities.

From the cross-benches Lord Hartwell, Editor-in-Chief of the Daily Telegraph, said that the Royal Commission's recommendations for a Press charter were over-simplified. He also disagreed with its view on editorial responsibility.

Although the editor was the one who went to jail, on most Fleet Street newspapers there were hundreds of journalists, many of them with various editorial responsibilities.

Lord Hunt said that a closed shop in journalism would be a real threat to Press freedom. He and the other members of the Royal Commission may have been too optimistic in hoping that safeguards without sanctions would work, but they were convinced they should be given every chance.

Lord Cudlipp, former chairman of the International Publishing Corporation, said that up to five years ago he could have been counted on to defend the Press against all-comers, but now he was a dissatisfied customer.

The national press, on its current form, was letting the public down and therefore, undermining democracy. "A daily newspaper, which is not published every day, and when it is published, is blemished by jumbled words and missing lines, is an amateur abomination."

Lord Cudlipp added: "The sorry performance of the British Press in 1977, now going on in 1978, deprives newspapers of their right and duty to criticise the industrial horrors of other industries."

For the Government, Lord Oram said it was considering the majority and minority reports of the Royal Commission on how to fill the gap in the newspaper spectrum to provide a moderate Left-wing national daily. It was also considering reactions to both reports.

The Government shared the concern about the concentration of ownership in the local Press. It was giving close attention to the Royal Commission's recommendations for newspaper mergers legislation, taking into account public comments so far received.

Meanwhile, the Government would continue to apply existing legislation in a way which, as far as possible, maintained the diversity of the Press, consistent with its prosperity.

Turning to the question of a Press charter, Lord Oram said that after consultations which would include the CBI and the TUC, the Employment Secretary (Mr. Booth) would prepare a draft charter which would be submitted to both Houses of Parliament.

MPs dispute plans for Commons radio

BY JOHN HUNT

AN ANGRY ROW blew up in the Commons late last night over the method of Parliamentary control to be adopted when radio broadcasting of the proceedings of the House starts shortly.

Mr. William Price, Parliamentary Secretary to the Privy Council Office, said regular transmissions were expected to start immediately after Easter.

Work on temporary accommodation for the BBC and the independent radio companies was nearing completion in Bridge Street near the House, and should be ready by February 24.

Last night's dispute was over the Government's proposal that a Select Committee of MPs should be set up to oversee the broadcasting arrangements. Mr. Price said that if MPs rejected this, then broadcasting could not start on the planned date and further discussions would have to take place.

A considerable number of MPs in the chamber objected to the Select Committee proposal. They wanted the Commons to have its own broadcasting unit to control the material which goes out to the BBC and the independent companies.

Mr. Dennis Skinner (Lab., Bolsover) protested that a Select Committee would inevitably mean a "cosy arrangement" between its members and the broadcasters.

Mr. Price explained that the main reason for the Select Committee was that the House should not appear to have any form of editorial control over broadcasting. That was the view of the broadcasting authorities, and he suspected that it was shared by many MPs. But this did not mean that the broadcasters would be unaccountable.

Labour leaders happy over Newham ruling

BY RUPERT CORNWELL, LOBBY STAFF

LABOUR LEADERS at Transport House were yesterday breathing audible signs of relief and satisfaction at this week's Appeal Court judgments reasserting the National Executive Committee's control over the local party in Newham North East.

The key point of the ruling given by Lord Denning, Master of the Rolls, Lord Justice Ormrod and Lord Justice Lane, is its rejection of the attempt by the militant moderate faction at Newham to challenge the NEC's right to suspend the strife-torn constituency party.

In doing so, the Appeal Court has merely reiterated what Transport House had always believed to be the position. Had the judgment gone the other way, a precedent would have been set which might have invalidated NEC efforts to step into any constituency party's affairs.

The way now looks open for a long stalled annual meeting in Newham to go ahead. A new executive can then be chosen which will, in turn, be able to select a Labour candidate to replace Mr. Reg Prentice, who, last year, defected to the Conservatives.

Labour's relief is also financial. The party is already committed to face legal costs of around £20,000, arising from the barrage of action brought by the two militant leaders. But with this week's judgment, the haemorrhage has been staunched, at least temporarily.

The two Oxford graduates, Paul McCormick and Julian Lewis, were also unsuccessful in their bid to secure an injunction preventing Transport House suspending them from Labour membership.

An affidavit from Mr. Reg Underhill, Labour's national agent, that no such action was being considered, had been presented to the judges.

Although disappointed at the outcome, Mr. Lewis spoke of the possibility of an appeal to the Lords. In the meantime, a number of court actions are outstanding, in their unrelenting battle to break the grip of Left wing activists in various constituencies.

Lord Denning said, in his judgment, that the situation at Newham resembled a state of war. The two factions were so locked in their struggle that the NEC had been forced to take action, and suspend the local party officers.

● Mr. Lewis suffered a second blow when he lost his seat in a Newham ward election. The moderates are now said to control only two of the constituency's nine wards.

Big vote to limit EEC Bill debate

By John Hunt, Parliamentary Correspondent

THE GOVERNMENT'S controversial proposal to guillotine debate on the Bill for direct elections to the European Parliament was approved in the Commons last night by a majority of 177 (314-137) after three hours of heated debate.

An equal number of Tory and Labour anti-Marketeers—61 from each party—voted against the timetable motion. They were joined by the Ulster Unionists, the Scottish National Party and Mr. Gerry Fitt, of the SDLP.

The Liberals and a majority of the Tories supported the Government.

The result means that further Commons debate on the European Assembly Elections Bill will now be curtailed to three days—two days for committee and one for report stage and third reading.

The anti-Market Labour MPs defied a two-line whip to vote against the measure but the Tories were allowed a free vote to take account of the deep divisions within their own ranks. During the debate, the differences of opinion in both major parties soon became apparent.

Mr. John Lee (Lab., Handsworth) warned that he would consider resigning the Labour whip and might sit as an independent if the guillotine motion went through.

Angrily, he told the House that in that event, he would seek to join a "Kamikaze squad" to hold up Government legislation, provided that 10 or 12 Labour MPs would join him.

"If I cannot get that, I am resigning the whip forthwith and will sit for the rest of this Parliament as an independent MP," he said.

On the other side of the House, Mr. Neil Marten (C., Banbury), a leading oponent of the Market, made a bitter attack on the Conservative front bench for supporting the guillotine. It was time that people in the European movement and the Tory Party started speaking up for Britain.

Mr. Enoch Powell (UU., Down S.), made a strong attack on the Conservative leadership and the Government. The Government, he said, had lost the moral right to ask the House to accept the motion.

"But the Opposition, by failing to oppose it, have cast away the opportunity they ought to be seeking to lead the House, for that is the condition of leading the nation," he added.

Opening the debate, Mr. Merlyn Rees, Home Secretary, told the House that the guillotine was essential in order to prevent the possibility of endless debate. Direct elections, he said, would now presumably be held sometime in 1979.

The divisions among the Conservatives were acknowledged by Mr. David Howell, a Conservative home affairs spokesman, speaking from the Conservative front bench.

There was derisive Labour laughter as he admitted: "I make no secret of the fact that this timetable motion places me and my right honourable friends in something of a dilemma."

Although he reluctantly advocated the guillotine, he fully realised that some of his anti-Market colleagues would oppose it.

● The new clause to the European Assembly Elections Bill promised by Dr. David Owen, the Foreign Secretary, was published yesterday.

The clause states that no treaty which provides for any increase in the powers of the European Assembly shall be ratified by the U.K. unless it has been approved by an Act of the Westminster Parliament.

Next week's business

MONDAY: Debate on employment; motion on EEC documents on excise duty harmonisation.
TUESDAY: Scotland Bill committee.
WEDNESDAY: Scotland Bill committee; motion on Community drivers' hours rules (temporary modifications) regulations.
THURSDAY: European Assembly Elections Bill, committee.
FRIDAY: Private Members' Bills.

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FINANCIAL TIMES SURVEY

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U.K. Textiles

The new Multi-Fibre Arrangement should create more stable trading conditions for UK textile manufacturers, but the industry still needs to adapt and modernise if it is to secure its long term future.

A new lease of life

By Rhys David
Textile Correspondent

IT IS NOT often an industry gets the chance of a new start, but this would seem to be the position in which U.K. textiles finds itself. After prolonged negotiations last year, the EEC reached a series of agreements with the leading low-cost suppliers of textiles around the world which should give the domestic industry in Europe a much greater degree of protection against sudden surges in [illegible] levels in future.

The agreements—now incorporated as the second round of the GATT Multi-Fibre Arrangement (MFA)—will not secure any actual reduction in levels of textile and clothing imports into Europe, which have reached an overall penetration of around 30 per cent. Indeed, an overall growth rate of around 6 per cent. per annum will still be allowed. The significance of the MFA deal which Europe has achieved, however, lies in the way it is framed. The products where import penetration is already very high, and the countries with the highest share of European markets, have had to accept very tight restrictions. Furthermore, under provisions which the EEC has succeeded in writing into the agreements, it will be possible to put under restraint any product or any supplier where disruption in European markets is threatened.

The new MFA agreement is thus intended to remove weaknesses in the previous agreement which allowed a growth rate in imports to take place between 1974 and 1977 in excess of 15 per cent. per annum, at a time when the European textile industry was already experiencing the effects of the worst recession since the war. As such—and with the important proviso that the agreements prove watertight—the industry in Britain and the rest of Europe does have the prospect of being able to plan against a background of stability, knowing roughly, at any rate, how much of the European market will be left to it in future after imports.

Negotiations

The strong line which the EEC took in the negotiations can be traced back directly to the pressure which the U.K. industry has been exerting for the past two years for greater protection. Britain—supported by France—has played a dominant role in preparing the evidence which the various European textile trade associations have been putting to Brussels, but of equal importance to the industry has been its success in getting its message across to the U.K. government. The significance of this was stressed recently by Dr. Brian Smith, president of the British Textile Confederation. "The major achievement during 1977 was the acceptance by the U.K. Government, and the authorities of the EEC, of the vital economic, strategic and social role of the textile and clothing industries," he commented.

The industry's case broadly has been that textiles, though not a glamour industry like aerospace or computers, is of equal significance to the U.K. economy. In terms of employment the textiles and clothing industry provide jobs for more than 800,000 people in the U.K., and both its output and its exports—almost £2bn. in 1977—put it in the top half dozen sectors in size in the U.K. Furthermore, unlike some other U.K. industrial sectors, it has an excellent record of labour relations and a better investment record than industry as a whole over recent years. Largely because of imports, the industry has had to increase its investment and output simply to survive.

In addition, although in image terms textiles is never seen as being at the frontiers of new technology, it is in fact subject to constant technical change. The clothing industry, for example, now uses lasers for fabric cutting and the knitting industry employs computers for pattern preparation. The continued search for economies of production have resulted in enormous increases in fibre and fabric output speeds and in the development of completely new methods of producing fabrics. Equipping a modern mill now requires very large capital investment of as much as £30,000 per worker, and in fibre plants the cost is even higher.

The points which the industry has been putting have coincided with a shift in official thinking both in Whitehall and in Brussels. It is not so long since the EEC was envisaging the orderly transfer of textile and clothing production out of Europe to developing countries, leaving the advanced nations to pursue high technology industries. High unemployment and the slowdown in world economic growth has caused this policy to be reviewed. In Britain, in particular, it is now recognised that it will be necessary to maintain an important stake across the spectrum of industry where the time lag cannot be excluded from this. The Government's industrial strategy has included four textile sectors among the groups of more than 40 whose problems and prospects are being examined.

The Government has also stepped up aid for the sector, which has previously had to rely very largely on its own resources for re-organisation. The wool textile industry was the first sector to be chosen for an aid scheme under the 1973 Industry Act, and has received a total of around £20m. towards rationalisation and investment. Other Industry Act aid schemes have been introduced for clothing and textile machinery, and the cotton sector has also been encouraged to seek investment aid under the Industry Act. Textiles and clothing have also been the main beneficiaries under the Temporary Employment Subsidy scheme, absorbing roughly half the total of £200m. advanced so far.

Sponsor

With the Government in Britain evidently much more willing to act as sponsor, the industry has shown that it can respond. Following an initiative by the joint textile committee of the National Economic Development Office, all sectors of the industry are co-operating in the production of a monthly textile pipeline survey which gives an at-a-glance guide to output, sales, and other trends throughout the industry—particularly important in an industry where the time lag between developments at the start of the processing chain—spinning—and the end, clothing sales in shops, can be more than a year.

For a number of reasons, the industry has woken up to the need to increase its sales to Europe. Firstly, many of its existing big markets—such as Ireland—are small and offer only limited possibilities for further growth. In other traditional markets in the Commonwealth there is an increasing number of tariff and other barriers to surmount. Perhaps more important, however, has been the continued weak state of the home market which has shown very little real growth over the past five years in volume sales of textile products, while at the same time accommodating a doubling in imports since 1970.

Over the past two years the industry's efforts to increase its sales in export markets have been aided, too, by the fall in the value of sterling, giving U.K. goods a competitive edge in the EEC. In 1977 as a result of this major effort the industry's total exports are expected to be up around one third on 1976, and with some success also being achieved in holding down imports, Britain's textile and clothing deficit will be down substantially this year.

The main worry must be over whether this performance can be sustained, enabling the industry to build for itself a position as a leading long-term supplier across Europe of quality fabrics and made-up textile goods. There is general agreement that exporting in 1978 will be a lot more difficult, partly because of the rise in the value of sterling, and partly because of the continued sluggishness of many markets. Though the past year has seen most of the U.K.'s big groups announce sharply improved results—largely as a result of higher exports—the middle of the year saw a disturbing fall-off in demand, indicating the continued fragility of the recovery. Some sectors—notably cotton—are heavily dependent on employment subsidies to see them through to the next upturn, and fibre producers are still suffering from world overcapacity and weak prices. It can only be partial consolation that U.K. fibre producers were among the first to tackle the problems of cutting out loss-making activities and have as a result managed to bring their operations back in most cases to around break-even, while many of their major competitors on the Continent are still wrestling with huge losses. The prospect of some improvement in market conditions in the U.K. this year may also put to the test the textile industry's commitment to exporting. As a result of tighter import restrictions and higher wage levels it could again be tempting to divert goods to the home market.

There are grounds, however, for taking a more optimistic view. For all the problems posed by the recession, Britain's textile industry has probably come through better than that of any other EEC member. Furthermore, its structure in theory equips it well to serve a Europe-wide market. It contains the four biggest groups in Europe — Courtaulds, Coats Paton, Tootal and Carrington Viyella—each of which is not only vertically-integrated from the early processing stages through to made-up products, but also involved across a broad spectrum of textile processes.

In the battle for market share in Europe, the U.K. industry also has the advantage of lower labour rates than most of its Continental rivals and this could make it attractive as a source of supply for retailers and distributors in Europe, seeking goods to replace those now brought under restriction.

The industry is conscious, however, that certain inherent weaknesses will have to be rectified if it is to capitalise on its potential advantages. In a number of sectors the U.K. is benefiting at present from the popularity in men's and women's wear of the British look, by which one generally means country type clothing. Like all fashions, however, this will pass, making it of great importance that the industry produces goods of the necessary design, quality and performance to satisfy demanding European tastes. This involves a bigger effort to ensure that the best use is made of design talent produced by U.K. colleges, a task the industry and the BTC has set itself. Another pressing need, the industry admits, is to improve its garment-making standards and efficiency to the best levels prevailing on the Continent. Here help is likely to be provided by a new agency set up last year with Government aid, the Clothing Industry Productivity Resources Agency.

Duration

The chance which the industry has now been given is likely to be of comparatively short duration. Having provided for the industry what should be more stable trading conditions, the EEC member governments will now cearly be looking for evidence that textiles can adapt and find for itself a market niche where it will be able to survive and prosper without the need for further protection. The textile industries of Europe and that of Britain, in particular, now have to show that against a more favourable background they can deliver the goods.

U.K. TEXTILES II

Clothing decline

AFTER A LONG period of what can only be described as comparative obscurity. Britain's clothing industry has become, over the past few years, one of the most closely analysed and scrutinised of industrial sectors.

For, after holding its own in world markets up to 1970—covering the large volume of imports which have traditionally come into the U.K. with exports of high quality menswear and other garments—Britain plunged into a serious clothing trade deficit this decade.

The gap reached £74m. in 1972 widening to £172m. in 1974 and even further to £271m. in 1976, as imports rose to reach a record total of £683m. The rise has been the result of the growth of clothing industries in traditional supplying countries such as Hong Kong, and Portugal, the emergence of new suppliers, particularly in the Far East and Eastern Europe, and, it has to be admitted, of Britain's entry into the EEC. As in other sectors membership has exposed the U.K. in clothing to competition from much more efficient producers on the Continent.

The combined effect has been enough to set off a few alarm bells not only in the industry itself but at Government level as well, because of the impact a continued decline could have on the U.K. economy as a whole. Employment in clothing remains very large at 293,000 people but has nevertheless declined by around 40,000 over the past five years. While job losses in any sector are serious—particularly with unemployment at 1.5m.—in clothing their effect is concentrated in regions with already above average unemployment, and on women for whom alternative opportunities are unlikely to be available.

The decline of the clothing industry was also considered serious because of the effect on other sectors. Clothing is a major customer of the U.K. textile industry which employs a further 479,000 people, and any major rundown could eventually work its way back through textiles to the chemical industry which provides the raw material for much of the textile industry's fibre output.

At the same time clothing stands out as a sector where a properly-organised U.K. industry ought to be able to make some impact across Europe as a whole. The industry is highly labour intensive and has declined more rapidly in Britain than in the high wage countries on the Continent such as Germany. The U.K. with its large existing industry and its lower labour rates should as a result be able to establish itself as a major supplier in Europe.

The result has been a major effort through the Clothing Economic Development Committee and through the industry's trade associations to stimulate an improved performance, with particular emphasis on raising productivity levels to match those of the most efficient producers on the Continent. At the same time the industry has been exhorted to improve its design and styling to make its goods more attractive in home and export markets.

Response

The industry's response to all these urgings will not have disappointed the Government, though it may have puzzled it. For as two sets of figures published within recent weeks show, the cure—or at least remission—for some of the industry's ills appears to have been found, but without the use of the prescribed remedy. The Government's Industry Act aid scheme for clothing, which offered grants to companies undertaking projects which would help to improve their efficiency has only belatedly found takers. The original scheme under which £20m. was made available had to be redrafted because of lack of interest, and the sum allocated was reduced to £15m. Even so, but for a surge in applications in December, the closing month, the scheme would have come to an end with more than half the available money still unclaimed.

Yet while the vast bulk of the 6,000 companies within the industry have been slow in grasping the Government's proffered hand, market conditions in the U.K. have persuaded firms to look overseas for sales. The clothing trade gap will this year be narrowed considerably to around £150m. and in the third quarter last year was under £27m. — the lowest figure for some time.

Moreover when invisible clothing exports are added—sales in the U.K. to tourists are estimated at around £240m. wholesale value in 1977, and sales through parcel post—Britain looks to have been running a surplus on its clothing trade in 1977.

The switch into export markets is the industry's response to the continued difficult trading conditions it has been experiencing in the home market. For although an increase in consumer spending on clothing made itself felt in the closing months of last year, very little overall growth has taken place in the market since 1973, and in many sectors imports have displaced U.K. products. Thus in 1976 importers had 51 per cent. of the market in men's and boys' suits and jackets, around 65 per cent. of the shirts market, and 56 per cent. in trousers.

The fall in the value of the pound over the past two years has helped the industry find overseas markets and it appears a much wider range of producers has begun exporting. At the top end of the market there have always been a number of U.K. clothing manufacturers, such as Chester Barrie, Aquascutum, Daks-Simpson, Burberry, Gloverall, and Michelson in menswear, selling a substantial proportion of their output overseas, and a few leading women's wear groups such as Jaeger. The list of top exporters now includes a number of other groups selling in the middle of the market such as Ladies Pride and Samuel Sherman. A substantial export business has also been built up by a number of U.K. sports and leisure producers—among them Nelbarden, Umbro, and Highlight.

The industry's attitude on investment has evidently been more cautious and here it would seem a waiting game has been played. The key is the MFA negotiations which took place at the end of last year aimed at establishing a new framework for international trade in textiles, and it may be that major decisions on spending are only now being taken as information on future levels of clothing imports into Europe becomes clear.

Some moves nevertheless have been made, including, significantly, efforts by all four big textile groups—Courtaulds, Coats, Paton, Tootal and Carrington Viyella — to strengthen their positions in clothing. Coats, Paton has been investing in its clothing operations with particular emphasis on its high quality women's wear side and a policy of trading-up has also been pursued by Carrington Viyella, which is particularly strong in menswear. Tootal has increased its involvement in clothing with two substantial acquisitions — Trutex the childrenswear group and more recently Slimma, one of the most successful U.K. ladies wear manufacturers in recent years.

Other moves have also been made to strengthen the industry structurally. Through the industry's economic development committee the objectives of the Government's industrial strategy — a further increase in exports to around £1bn. by 1980, coupled with efforts to hold down and if possible push back import penetration, have been communicated to companies.

A new body, the Clothing Industry Productivity Resources Agency, is also being set up with Department of Industry funding to continue the task of trying to raise levels of efficiency within clothing.

At the same time clothing manufacturers have themselves achieved a new degree of cohesion through the creation of a new joint body—the Clothing Industry Joint Council—which with one major exception brings together the associations representing the various clothing sectors.

The changes have perhaps come only just in time to save the U.K. industry from a very serious decline, and dangers still lie ahead. The industry's commitment to exporting has yet to be tested against a background of less severe difficulty in the home market. There are also still very many companies, including some of the largest suppliers to the home market, exporting less than 10 per cent. of their turnover. The rise in the value of sterling will also make exporting more difficult. As the past year has shown, however, the opportunities are there if the U.K. can continue to offer merchandise of a sufficiently high quality and suitably designed and styled for the sophisticated markets of Western Europe.

Rhys David

CLOTHING

EMPLOYMENT	293,000 (G.B. only)	
MAIN AREAS	North of England, London, Northern Ireland	
NO. OF ENTERPRISES	6,000	
OUTPUT 1976	£1,750m.	
TRADE BALANCE	1976 £	1977 (Jan.-Sept.) £
EXPORTS	412m.	419m.
IMPORTS	583.8m.	578m.

MAIN PRODUCTS
Men's, boys', women's, girls' and children's outerwear, and underwear. Workwear.

Knitwear targets

BRITAIN'S knitwear industry has been bucking the trend over the past year. Against a background of decline in most textile sectors, knitwear has managed to increase employment by around 3,000 to a new total of 121,000, and output has increased, too, in volume as well as value.

The industry has been benefiting mainly from its determined push into export markets. While consumer demand in the U.K. for clothing has been static—continuing marginally behind 1973 levels at constant prices—exports by knitwear producers increased by 50 per cent. in value in 1976, and were up a further 40 per cent. in the first ten months of 1977.

The industry's major assault on export markets, taking its export proportion of total sales to around 30 per cent. has come not a moment too early, however. Britain accounts for around 25 per cent. of the EEC knitting labour force but has managed to command under 10 per cent. of total intra-EEC trade. As in other industrial sectors, knitwear has secured a very large share of some small markets—notably the Republic of Ireland—but a dismal share of the big markets.

In 1975 the U.K. industry had only a 1.4 per cent. share of imports into West Germany from other EEC countries, compared with the 72 per cent. stake held by Italy, the other main knitwear producer in the EEC. In France, Britain had 7.4 per cent. of intra-EEC imports against 73 per cent. for Italy.

The new emphasis on exports is the result of the industry's realisation that whatever help is achieved from the latest Multi Fibre Arrangement (MFA) agreement in stabilising the home market, imports are here to stay, particularly at the cheaper end of the market. To grow and prosper, therefore, the U.K. knitwear industry has to expand its overseas sales, especially to Europe. The objective set by its sector working party, as the industry's contribution to the overall U.K. industrial strategy, is a 20 per cent. share of total EEC exports to 12 Western European countries—the other EEC members (excluding Ireland), together with Austria, Finland, Norway, Sweden and Switzerland. Overall the industry is looking for a 20 per cent. per annum increase in exports over the period 1975-80.

In the home market the industry will probably have to be content with a holding operation. Total imports now account for around 30 per cent. of total sales, though they are much higher for certain products, and those from developing countries will continue to grow, albeit probably somewhat more slowly than in recent years, as a result of the new tighter restrictions incorporated in the MFA. The industry should at least be able to hold back, according to the working party, imports with which it directly competes—those from other developed countries—to around the present level of 7 per cent.

Significantly, the industry is currently running ahead of the targets set for it in both the home and export markets, but the difficulty will obviously come in sustaining this performance over a period. Nevertheless, the omens are favourable. In a number of European countries, notably Germany, the local knitwear industry has shrunk in size as a result of competition from low cost imports, and with more effective restraints now applying across Europe on imports from outside the Community, the U.K. is in a strong position to fill any gaps. As well as being the biggest in Europe the British industry also has the largest companies. The three biggest, Courtaulds, Nottingham Manufacturing, and N. Corah account for around 25-30 per cent. of total output.

Links

These big companies have grown through their links with the major retail chains, and a number, including Corah, are now looking at ways in which similar relationships can be developed on the Continent. The industry still consists, too, of many smaller companies which are capable of taking on the more specialist work which European boutiques and specialist shops require. Another factor working in favour of the industry is the continued popularity on the Continent of the British classic look in knitwear. It is this which has enabled the Scottish knitwear industry, which uses luxury fibres such as cashmere and lambswool to ride the textile cycles with less discomfort than most other sectors. Another advantage for the industry has been the continued survival in the U.K. of a strong knitwear machinery sector, making close technical co-operation possible.

There are pitfalls, however. European markets require special design attention and styling and guaranteed delivery on time—all areas where some companies in the past have fallen down. The industry's recent export performance has been based on the extra efforts which some of the major groups like Courtaulds have been making in overseas markets, such as Germany, and on the decision of a number of smaller companies to begin exporting for the first time. There is a danger that if conditions in the U.K. market do improve—as a result of higher wage levels working their way through into consumer spending—this momentum could be lost. The rise in the value of the pound sterling has already made exporting more difficult for the industry, which in some sectors, such as underwear and tights, is working on very narrow margins, and this may tempt some producers to re-direct their efforts towards the home market.

There is also the challenge which will be provided in the U.K. and other markets by the growing sophistication of developing country producers, many of which will be paying increased attention to quality and design as a way of penetrating EEC and other developed markets. The U.K. industry in order to succeed both in the domestic market and in other EEC markets will have to move increasingly itself into higher quality merchandise.

These are points which have been stressed at a series of meetings within companies organised by the industry's sector working party over recent months and involving management and union representatives and working party officials. The aim has been in each case to create a forum where discussions could take place on the significance for individual companies of the Government's industrial strategy and on the relevance of the objectives laid down by the working party for the sector.

Other problems do naturally face the industry, for which exporting will not be the cure. Worldwide over-capacity exists in jersey fabrics, largely as a result of the fashion swing away from knitted man-made fibre filament yarn towards a soft, woven, natural look. Similar problems exist in another knitwear sector—warp-knitting—where traditional markets such as shirts and sheets have declined. In warp-knitting, however, considerable effort has been made to find new markets such as car seat fabrics. Moves are also being made by the knitting industry's research body, HATRA (the Hosiery and Allied Trades Research Association) to find ways of increasing the industrial market for other knitted fabrics. Possibilities exist in a number of areas—horticultural and surgical uses are among the applications that have been found for knitted fabrics.

Another major problem area is tights, where massive investment by the Italians, at a time when the market was already beginning to decline because of increased wearing of trousers by women, has created serious problems for producers in a number of countries.

In the battle to survive in the face of strong international competition both from the Far East and other international producers, the U.K. industry has emerged, however, in somewhat better shape than it expected at the start of the textile recession. The past year has seen a major improvement in the results announced by most of the main groups and further good figures are likely over the next few months. The challenge is to ensure this performance is maintained.

R.D.

KNITWEAR

EMPLOYMENT	121,000 (G.B. only)	
MAIN AREAS	East Midlands, Scotland	
NO. OF ENTERPRISES	825	
OUTPUT 1976	£838m.	
OUTPUT 1977	£900m. (estimate)	
TRADE BALANCE	1976 £	1977 (Jan.-Sept.) £
EXPORTS	199.5m.	189m.
IMPORTS	261.2m.	223m.

MAIN PRODUCTS
Fully fashioned knitwear, sweaters, pull-overs, T-shirts, jersey fabric, warp knit fabrics, underwear, tights, socks and stockings.

WOOL TEXTILES		
EMPLOYMENT	80,000 (G.B. only)	
MAIN AREAS	Yorkshire, Scotland, West of England	
NO. OF ENTERPRISES	400	
OUTPUT 1976	£900m.	
OUTPUT 1977	£1.1m. (estimate)	
TRADE BALANCE	1976 £	1977 (Jan.-Sept.) £
EXPORTS*	212m.	205m.
IMPORTS*	40.4m.	44.4m.

* Tops, yarn and cloth only, raw wool and wool waste not included.

MAIN PRODUCTS

Wool tops, woollen and worsted yarn, woollen and worsted cloth; carpet yarns, knitwear yarns, rugs, blankets, furnishing fabrics, industrial cloths.

Fibre production

THE U.K. TEXTILE industry has long been mentally and strategically tuned to its cyclical variations, which used to be discussed in almost fond terms and which basically divided into two segments—the annual variations connected with the spring/summer and autumn/winter fashion-related seasons, and in the broader context, a cyclical change perhaps every three years or so.

Now, however, the fact is being faced that the old concept of cyclical variations has disappeared, and many doubt whether this is merely a temporary deviation from the long-established pattern. Rather is it felt that the past mix of market offtake variances and, to an extent, the advent of major technological breakthroughs is now being replaced as the overriding influence on trading patterns by the more sinister (and almost frightening) considerations of politico-economic stances being adopted by the major world power blocs.

The inevitable upshot of this has, of course, been the almost overwhelming flood of low cost imports of fibres, yarns and garments into the U.K. and Europe from mainly Far Eastern sources; worse, this has happened during a period of almost galloping recession which in turn had followed what at the time was seen as an "old-style" cyclical downturn. For textile manufacturers and processors, this worsening position has proved extremely serious; for fibre producers, it has verged on the disastrous. As in any industrial sector where high technology is constantly advancing, the ability to keep plant and equipment operating to a high degree of efficiency and productivity is not so much desirable as imperative if an acceptable level of profitability is to be maintained both to provide the payback for earlier investment and to fund the ongoing cash demands of further research and development work.

The irony of the situation from the standpoint of the U.K. fibre producers is that they are losing out in two major directions. First, it is costing them infinitely more to cease operation of a line of fibre extrusion equipment, for instance, than the relative cost to a customer in the spinning, weaving or knitting sector to stop a bank of machines. Second, while their customers can work within fairly narrow lines of definition centred on their own production operations—and thus can more easily contain the expansion of overhead costs—most fibre producers have extremely broad and generously-based back-up programmes which stretch through every layer of production and processing from the raw fibre or filament yarn to the High Street stores where their "payback" on such a costly exercise is the appearance of their fibre brandname on the garments in question.

Just when U.K. fibre companies are in desperate need of finding the means of triggering an upturn in their sales levels, it is obvious that the chances of a "miracle" breakthrough are made even slimmer by the overall necessity of containing operating costs and therefore lessening the intensity of technological development. The tendency has apparently moved in the direction of prudently shedding certain speciality fibre and yarn versions in order to effect a more rational (and therefore more economical) structure of production more closely attuned to what might be termed an unsympathetic market at the moment.

Looking at the whole depressing picture, which has seen U.K. fibre producers settling on a plant utilisation level of currently no more than 70 per cent. when taken as an average across nylon, polyester and acrylic fibre making, the then apparently pessimistic opinion expressed nearly a year ago by ICI Fibres that the picture would not brighten until the turn of the decade now seems optimistic, if anything—more like the mid-1980s is the earliest we shall see a real comeback for U.K. fibre producers to anythink like the manner of operation and accompanying profitability seen ten years ago.

The moves in the EEC by some fibre producers who have either closed down or cut production at selected plants have had the effect of taking between 300,000 and 400,000 tons a year of productive capacity out of the European fibres market—due largely to moves by ICI, Bayer and Enka—and in addition to this there is a substantial amount of fully constructed, but as yet uncommissioned, productive capacity to be added to this figure.

There is another (and, as yet, little discussed) problem looming ahead for U.K. and European fibre makers. This is the strong possibility that American fibre producers will start to turn increasingly to this side of the Atlantic to boost their offtake. Already, there have been instances of U.S. fibre companies selling polyester feed yarns to U.K. and European yarn texturisers, and the feeling is that this could be the tip of a very substantial iceberg based on three factors—American policy has been to couch fibre prices at levels not influenced by violent fluctuations in world oil prices; the leading fibre makers operate very large scale, ultra-efficient production plants geared to market flexibility; and, not least, the current and perhaps continuing relative weakening of the dollar against sterling and other European currencies.

In such a short review, to discuss all the various developments from U.K. fibre producers would be impossible, but one fairly recent innovation which stands out as a good example of using good technology variation to create a means of stepping up fibre sales is the so-called "Golden Touch" range of Diolen polyester yarns from British Enkalon. The point about these is that an extremely high filament-per-denier ratio has enabled this range of products to find immediate acceptance in mainly clothing end-uses to the extent that the range now commands over 15 per cent. of total polyester fibre production capacity at Enkalon's Antrim, Northern Ireland, plant within a year of commercialisation, and textile fibre sales director Stephen Johnson reckons that this will be around 40 per cent. by the end of this year—a phenomenal rate of initial market success which not only spells more revenue for Enkalon but also—extremely important—the characteristics of the f.d.f. Diolen yarns has effectively provided a welcome vehicle for some knitters to take the dust sheets off recently-unemployed circular knitting machines and to create impressive new ranges of dresswear, swimwear and underwear.

Eugene Dempsey

MAN-MADE FIBRES		
EMPLOYMENT	32,000 (G.B. only)	
MAIN AREAS	N. Ireland, N.E. England, N.W. England, Midlands, Scotland, Wales	
NO. OF ENTERPRISES	6	
OUTPUT 1976	£575m.	
OUTPUT 1977	£600m. (estimate)	
TRADE BALANCE	1976 £	1977 (Jan.-Sept.) £
EXPORTS*	281.8m.	256m.
IMPORTS*	186.8m.	167.7m.

* Man-made staple, continuous filament yarns.

MAIN PRODUCTS

Polyester, nylon and acrylic fibres and yarns; rayon and acetate fibre and yarns.

Wool markets

FOR BRITAIN'S wool textile industry, skills in international diplomacy have new become almost as important as the traditional arts of design and marketing. Over the past year the industry has had to surmount the protocol problems involved in persuading U.S. President, Jimmy Carter to accept a gift of cloth complete with stripe carrying the initials J.C.; it has been after the support of Britain's ambassador in Washington, Mr. Peter Jay, in its campaign for a reduction in tariff levels on U.S. wool textile imports; in the Middle East it has been taking up, again through embassies, attempts by producers in South Korea, India and elsewhere to pass off their goods as British; and in Iran one of the leading U.K. wool textile companies has recently completed delicate negotiations for the supply of military uniform cloth. On top of this has been the need to keep an eye on the discussions which took place in the latter half of last year in Brussels on a new Multi-Fibre Arrangement, the international agreement which regulates world trade in textiles, and this year will see shortly the beginning of the GATT Tokyo Round trade talks.

All this reflects the ever-increasing importance to the wool textiles sector of overseas markets — and the difficulty in some cases of ensuring that they remain as open as the industry would like. The industry now sells its products in more than 150 different countries and last year succeeded in raising its export sales including raw wool, once again to a new record total of £400m. — roughly £100m. up on the previous year. In fabric more than 40 per cent. of total output is now being exported.

Reputation

The success of the U.K. wool textile industry in overseas markets is based on the very high reputation which British cloth—particularly the top end of the market fine quality worsteds from Huddersfield—enjoy all over the world. It remains an important mark of status in a number of countries, including Japan, to wear a suit made of British cloth, and this has been an important factor in enabling the industry to sell into newly-rich markets, such as Japan in the early 1970s, and more recently Middle Eastern countries and other oil-wealthy nations.

But the industry's big move into export markets has also been motivated by conditions in the U.K. Consumers have had less to spend over recent years and have in any case been switching to more casual forms of dress leading to a substantial drop in the number of suits purchased down from 7.1m. to 5.7m. over the past two years alone. At the same time there has been a major increase in imports of clothing and this has affected the customers of the wool textile industry, the clothing manufacturers. More than 2m. suits were imported into the U.K. last year, many of them at very low prices from Eastern Europe, giving importers a one-third share of the market.

The industry saw early on that even to survive at much its present size and output a further substantial increase in its already large overseas sales would be necessary.

The past year gives some indication of how successful the strategy has been. Helped by the current world vogue for the British look — country-type classic clothing — wool textile producers have managed to overcome the continued lack of bouancy in the home market. Though output in 1977 will not be significantly above the previous year when there was a substantial recovery from the depressed levels of 1975, exports to a number of important markets, including North America, the Middle East and West Germany, are well up. Much of the increase in Germany has resulted from the continued strong export performance of the Scottish woollen producers who now send more than 60 per cent. of their output overseas.

In its submission to the Government's industrial strategy, the Wool Textile Economic Development Committee has suggested that the best prospect for the industry lies in continuing to increase its share of export markets, while at the same time striving to hold down to roughly present levels the share of the home market captured by imports — roughly 20 per cent. for fabric.

It is a strategy which has won the broad support within the industry at the in-company discussions which the EDC has been organising; but although the industry's performance to date has been good, companies have pointed to a number of difficulties in the way of achieving the targets which the EDC has laid down.

Competition from low-priced Italian woollen goods has caused disruption in a number of markets, including the U.K., where the penetration has now reached 40 per cent. Despite complaints by other European wool textile producers of unfair subsidisation of the Italian industry, the EEC has so far failed to secure any Italian agreement on more realistic prices.

On exports there are increasing doubts among a number of U.K. wool textile producers over the ability of the Middle East to continue absorbing large quantities of British cloth, particularly the medium quality cloth produced in Bradford.

Yet if the Middle East market does decline there is little prospect of another major market developing to take up the slack, as the Middle East itself did when trade with Japan fell back from the peak achieved in the early 1970s. The industry has managed to increase its sales into the U.S. this year, particularly in woollens — up more than 50 per cent. over last year to more than 4m. sq. metres. Sales of worsted remain comparitively small, however, amounting to less than U.K. trade with Ireland, and expansion is limited by the very high U.S. tariff of around 50 per cent.

The U.K. industry has been pressing for a reduction to be incorporated in the Tokyo Round, and has been gaining support from the U.S. cloth industry, which would like to gain access to top quality British cloth. The very strong man-made fibres lobby in the U.S. has always succeeded in the past, however, in opposing reductions. The industry has also become increasingly concerned in recent years at the growth of restrictions in other markets around the world, some of which are now seeking to build up their own wool textile industry. South America, once a major sales area for U.K. cloth is now virtually closed by tariffs and other duties, and barriers of one form or another have to be surmounted in other traditional markets including Australia, New Zealand, and South Africa.

There is the problem, too, of greatly increased competition in third country markets from newly-emerging wool textile industries. Capacity to manufacture wool yarns and fabrics, primarily designed for the wealthier markets of Europe, the Middle East and Japan, is being installed in Algeria, Argentina and a number of other countries, and major developments have also taken place in Eastern European countries, which for several years have been the largest buyers of wools from Australia, the principal wool-grower.

Thus, although the U.K. is likely to remain an important supplier to world markets, the EDC is encouraging it to look much more to European markets, in most of which it still has a smaller share than its size warrants. Thus in fabric Italy's exports to West Germany are roughly six times those of the U.K., while in yarn France sells four times as much to West Germany. Trade in cloth between Italy and the U.K. is ten to one in Italy's favour.

R.D.

Cotton is the keystone

GOVERNMENT MINISTERS in the U.K. are not going to be *very pleased if they receive* many deputations this year from the Lancashire-based cotton and allied textile industry. For, after a period of prolonged lobbying by the industry for greater protection from low cost imports, Britain made minimum growth in cotton yarn and fabric quotas its touchstone in the recent Multi Fibre Arrangement talks. Without this, Britain made it clear it would not be able to give its consent to a *new European Community* agreement with low cost suppliers.

And, as the recently published details of the agreements show, the industry appears to have obtained most of what it had been seeking. Cotton yarn and cloth are among the products where the Community will in future impose very severe restrictions on future imports growth rates, and Britain, which has the highest levels of penetration among the Community members, has been given the lowest growth rates of all.

COTTON AND ALLIED TEXTILES

EMPLOYMENT	Spinning	28,500
	Weaving	27,530
	Finishing	18,800
		74,830
MAIN AREAS	Lancashire	
NO. OF ENTERPRISES	274	
OUTPUT	n.a.	
	Yarn and woven fabrics	
TRADE BALANCE	1976 £	1977 (Jan.-Sept.) £
EXPORTS		
Cotton yarn and spun MMF* yarn	60.1m.	47.9m.
Cotton and MMF woven fabric	162.5m.	154.3m.
IMPORTS		
Cotton yarn and spun MMF yarn	83m.	76.9m.
Cotton and MMF woven fabric	387m.	337.9m.

* MMF, man-made fibre.

MAIN PRODUCTS
Yarns and fabric for apparel, household textiles and industrial uses.

The industry is likely to reserve final judgment until it has become clear how the new agreements will operate in practice. Nevertheless, for Lancashire textile producers a new era may well have opened from the beginning of this year. The industry has been declining for most of this century, from the time when it supplied a large part of world requirements of cotton goods. With other producers entering the market it was clearly not possible for Lancashire to go on—as it used to be observed—making for the U.K. before breakfast and for the rest of the world after, but the weight of the industry's submission over recent years has been that the rate of decline has been too steep. Total employment is now down to under 80,000 and production of spun yarn has fallen by more than half in the past 20 years, a much steeper rate of decline than in most other European countries.

The MFA agreement will not enable the industry to recover markets. In woven cotton cloth, for example, some 60 per cent. of the market is now held by imports, and though in spun yarn the penetration—around 25 per cent.—appears low, this is only because most of the market available to spinners has already been lost as a result of the high penetration of cloth imports. Furthermore, in both woven cloth and spun yarn very severe pressure has been placed on local producers over recent years by the rock-bottom prices which overseas suppliers—particularly those seeking to establish a position in the U.K. *market—have been charging.*

Nevertheless, the agreements reached with the main overseas suppliers by the EEC will give domestic suppliers the assurance of more stable market conditions, and an absolute ceiling will be placed on imports of yarn and cloth, so that problems caused over recent years by the emergence of new suppliers outside previous quota control should be eliminated.

Restrictions

Equally, restrictions of varying degrees of severity are being placed on imports of clothing and other products and this will help the customers of the U.K. spinning and weaving industry. The industry does therefore have the prospect of being able to plan its future over the next *few years against a more stable* background that it has enjoyed at least since the war.

The industry has also seen a substantial measure of concentration over recent years as a result of textile mergers. Courtaulds alone now controls roughly half total U.K. cotton-system spinning and much of the rest is in the hands of the other three major groups—Carrington Viyella, Tootal, and Coats Paton. Through these latter two companies Britain maintains a very large share worldwide in the important mar*ket for sewing and industrial* threads. On the weaving side production is again concentrated in the hands of the big vertically integrated groups and other specialist Lancashire textile concerns such as Vantona, the household textiles group.

Under the weight of imports pressure the sector has also been obliged to invest heavily for survival, and actually increased its share of total U.K. textile spending from 24 per cent. in 1968 to 30 per cent. in 1975. *In spinning,* Courtaulds alone has spent £40m. over the last eight years on new plant, concentrating its production in 30 modernised mills. Courtaulds *has the largest installation out*side East Europe of new Open End spinning machinery which offers a quicker and cheaper method of producing certain *qualities of yarn,* compared with the conventional ring-spinning system, and other producers too have invested in the equipment.

Developments of this kind have enabled the industry to increase productivity at a faster rate than competitors on the Continent. Though the U.K. now operates only one-tenth of the number of spindles which were working in 1937, production of yarn is still around 40 per cent. of the total 20 years ago.

In weaving, the industry was forced out of some markets such as cotton print cloths because of cut-throat competition from overseas suppliers, and an attempt by Courtaulds to compete against the Far *Eastern suppliers in* the production of bulk cotton-polyester fabric also came to grief. With opportunities limited in commodity areas like these, however, weavers have moved into other markets where a higher price can be obtained for technically more sophisticated products.

Thus, a major push has been made in recent years in household textiles, an area where U.K. companies have been some way ahead of their Continental rivals in recognising the potential for easy-care, fashion co-ordinated, printed and dyed, cotton-polyester blends in the sheet music.

More sophisticated fabrics have also been developed for industrial uses, and for safety and workwear. Courtaulds is hoping to win a major share of European markets in a number of fabrics, but is choosing those that require a degree of technical expertise which importers will find difficulty in matching. The company is a major pro*ducer of corduroy, currently the* most important leisurewear fabric, and of woven textured polyester, a comparatively new fabric which is expected to make *major inroads into the markets* now held by competing cloths including wool-polyester and rayon-polyester.

If more stable trading condi*tions do now result, therefore,* from the new Multi-Fibre Arrangement framework the industry could be in a position to increase substantially its *share of markets in Europe,* filling gaps left by wholesale closures among local producers. Short-term problems, nevertheless, remain, for the U.K. indus*try, in particular the continued* slow recovery of world demand for textile products.

After making a good recovery in the closing months of 1976 and early last year, the spinning industry has experienced a falling-away in business throughout much of 1977 and early this year, with order books continuing to shorten. *In weaving,* the closing months of last year also saw a marked decline in levels of activity, though it is possible that in both sectors clarification of the new quota levels which will operate for imports could now result in some increase in demand.

The weak state of trade has meant, however, that in both sectors there has been an extension of short-time working over the Christmas period and total employment by the industry showed a decline in 1977 alone of more than 3,000. In addition many jobs within the sector are now being supported by Temporary Employment Subsidy and the Government has been warned that, unless there is a substantial increase in business over the next few months, many more people could be made redundant as TES is phased out.

The case for further assistance *is being* considered by the Government but it has to persuade the EEC Commission that a new scheme is justified. The industry is confident, however, that it has achieved a better relationship with Government and that its problems will continue to be looked at with some sympathy.

The forum in which the industry meets at *official level* with Government and trade unions—the Group on Developments in the Cotton and Allied Textiles Industry (GODCATI)—is to be strengthened with the various parties agreeing to increase their level of representation. It has now been recognised, the industry believes, that the cotton sector remains *important* to the U.K. economy as a whole, and furthermore that on its success or failure depend the fortunes of other parts of the *textile industry* as well.

R.D.

Design stays ahead

IT IS ONE of the perennial puzzles of the U.K. textile scene that while Britain continues to produce talented textile designers, the use that is made of their skills always seems somehow to fall short.

It is a problem for which a number of possible explanations has been offered. First, because of the contraction of the U.K. textile industry over recent years there is clearly a much more restricted domestic market to supply and this has cut both the opportunities for young designers to sell their work, and the scope for employment.

More fundamentally, however, there is the underlying dispute over whether industry is adventurous enough in the use of designers and on the other hand whether the colleges are turning out designers with an adequate grasp of commercial realities. According to the industry it is very often difficult to fit designers in and it may be at least two years before they have had sufficient experience for their work to be very useful.

Complaints

Designers complain that the industry is not geared to understanding what they are trying to do and lacks sufficient flexibility to change hallowed methods. On the continent the quality of U.K. designers' work is recognised. It is not unusual for continental studios to snap up U.K. college graduates for contract work, only for their design to be sold back later to U.K. textile houses looking for a European style.

The fault almost certainly lies on both sides and it is perhaps a source of encouragement that efforts are now being made to narrow the gap that exists between designers' aspirations and industry's caution. "Students need to acquire a knowledge of the trade but *management* too should realise that young designers are tuned in to the next rather than the last fashion look. The problem is finding ways of *marrying these* two elements with their widely differing "expectations," Professor Joanne Brogden, head of the School of Fashion Design at the Royal College of Art, points out.

The need to do so is certainly critical if Britain is to secure a wider share of European markets for quality textile goods and also to win back some of the market share lost at home *to imports from other developing countries*—a point reinforced by the Fabric Buyers Association, representing the big clothing and retail buyers. "Our members want to buy British goods but in a very competitive atmosphere they have to choose the best designs available from all over the world." Mr. Don Smith, their chairman claims.

It is a problem which has been concerning the British Textile Confederation which is currently working to achieve much closer working liaison between the colleges and industry, and at a recent joint BTC-Design Council seminar, Mr. Harry Leach, a director of *Tootal, suggested as a means of* achieving this much greater use of sandwich opportunities so that students could see their work in a commercial environ*ment, and could assess its im*pact in factory conditions.

A number of practical moves have also already been made by the industry to promote the concept of good design in textile production, including the appointment by Courtaulds of Sir Paul Reilly, a past director of the Design Council as advisor. The Royal College of Art too has just created a new school of design management and new links with industry and increased attention to design in industry is being given in a number of colleges. Manchester University has a new BSc course in textile design and Design Marketing. Brighton Polytechnic has inaugurated a four-year sandwich course on fashion and textile design, and Huddersfield Polytechnic has started a degree course in Textile Design which includes market-orientated studies. At Galashiels, the Scottish College of Textiles has upgraded its diploma to a degree course.

The experience of the Scottish textile industry, which is currently enjoying a world-wide boom in demand for its woollen cloths, perhaps offers a lesson for other parts of the U.K. textile industry. As in the case of Reid and Taylor, which exports the vast bulk of its annual output of highly expensive all-wool twist cloths, great emphasis has been paid to design, and in particular its continuing development.

"People come to us for well understood and well-loved designs, but to stay successful we have to build on these to produce something familiar, yet different. This is a test of our ingenuity and skill, and it is where the designer can exploit knowledge and technique as well as artistic appreciation," John Packer, Reid and Taylor's managing director, points out. Reid and Taylor has topped up its Scottish themes in recent years by drawing on new sources of inspiration—among them Venice and Persia.

The problem of making sure that Britain makes best use of its design resources to ensure that the U.K. textile industry survives and thrives is one which both sides—those responsible for training designers and those who employ them—now recognise much more widely. "If commercial knowledge is missing in students then we have to instil it into them." Professor Brogden states. Equally, as Mr. Harry Leach points out, "Planning and working together must start by making the best of designers' *talents.*" It is the cross-fertilisation of the total design package that matters.

Pauline Long

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Management

EDITED BY CHRISTOPHER LORENZ

A senior manager with experience of British and U.S. companies warns that the fashionable cure of decentralising profit accountability is not always as easy as it seems.

The pitfalls of profit centres

IT IS commonly said that the only way to run large and complex organisations is to decentralise, to push responsibility down the line. The theoretical attractions of sub-dividing a big company into smaller, semi-autonomous profit centres are obvious. But what is often forgotten are the practical difficulties involved in making the changes. There are, moreover, serious doubts about whether a profit centre system is feasible for certain types of company.

For a conglomerate like Thomas Tilling, whose subsidiaries are genuinely separate businesses, profit centres present no great organisational problem. But for a one-industry company whose purchasing, production and distribution operations are to a considerable extent interdependent, the choice of organisation is much less simple. British Steel cannot be managed on the same basis as Thomas Tilling—or, for that matter, as GEC; for although GEC is primarily in the electrical and electronics industries, there is not a great deal of interdependence between, say domestic appliances, turbine generators and military electronics.

In considering whether or not to decentralise profit accountability, the first question for top management is—is *it* feasible? Can it be accomplished to give realistic profit responsibility without necessitating highly inefficient forms of organisation? In highly integrated businesses, where major decisions are forced upwards in the hierarchy by the inter-dependence of operations, attempts to create profit centres have been made from time to time, usually because top management has fallen into the trap of recognising their desirability but ignoring altogether the question of feasibility. Lack of proper organisational and personnel preparation for profit centre management in the firm has made matters worse.

The profit centre concept rests on the assumption that it is possible not only to separate out the operations of an integrated company into divisions, but also to measure separately the profitability of each. The executives in charge of the divisions are entrusted with certain assets and are expected to make the best return on these assets.

When divisions are interdependent—in the sourcing, processing or distribution of their materials and finished products—profit accountability has to be accompanied by sophisticated procedures and controls to ensure that achievement of corporate objectives is not prejudiced. The executives in charge of divisions have to be motivated by the system to make decisions in the interests both of their own divisions *and* the company as a whole.

Even if a theoretically faultless organisation of decentralised profit centres can be defined, it can founder when there is neither the profit margin in the product nor the management talent available to afford it and to make it work. Since profit-accountable divisions must be viable units, procedures must first be established to make them workable not only on such matters as profit and loss accounting, transfer pricing and allocation of common service costs, but on numerous other matters which inevitably are of common interest to divisions and corporate departments alike. More vital still is the question of management resources.

Some of the basic questions that must first be answered are:

Are there adequate distinctions between the divisions—in products, processes, operations, or the means of distribution—to make the concept realistic?

Can a financial control system be devised that will ensure the necessary consistency of interest between the company as a whole and each of the divisions in the management of business and assets? Should it be based on gross book values, written down values or replacement values?

If common technologies and skills are involved, are there sufficient reserves of specialist and management talent in the company to accomplish objectives despite the organisational fragmentation required by profit centres?

What areas of interest common to all of the profit centres will remain? How are they to be handled?

What central staffs and/or central service agencies are needed and with what functions and what authority?

Procedures

Is the additional overhead required known? Can it be supported by the increased profitability that is expected to result from profit centres?

What additional procedures and management controls are required? What form will training take? How will the change of style be managed?

Decentralised profit centres usually cost more to operate than non-decentralised profit systems. This is principally because of higher manpower, more elaborate information flows and, usually, an increase in intra-company bargaining effort. The assumption is that this increased cost will be more than offset by better performance. Improved direction of operations and speedier response to market conditions, coupled with profit consciousness at a lower level, will assure increased revenue. It follows that, to qualify as profit centres, divisions need precise and clearly-defined tasks and products or services that can be valued inside and outside at market prices.

The advantages of profit centres are that they free top management from having to make short-term decisions and separate the longer-range planning from the fire-fighting. At the divisional level decision-taking is brought closer to the scene of action. More directly-motivated managers become accountable for their own performance, and are more encouraged to evaluate it themselves. Employees can identify with clear localised objectives: this helps to develop the *esprit de corps* that eludes the bigger monolithic enterprises.

There is, however, another side to it. In the integrated company with its operations all more or less in the same industry, profit centres can bring with them many serious disadvantages, particularly where the organisation is ill-equipped intellectually to design and administer the new style of management.

Besides, profit centres have a marked propensity to generate more administrative overheads than are strictly necessary. Their managers want to be in charge of their own destiny and this can lead to decentralisation of functions which might be better centralised, such as employee relations planning and compensation policies, marketing research, treasury operations, data processing and property management.

Unwary management is often tempted to decentralise such functions rather than instal the sophisticated procedures which are necessary to keep them centralised without detriment to divisional autonomy.

Some duplication of effort between corporate departments and divisions is often inevitable. For this and other reasons there are frequently troublesome relationships between the divisions themselves and the "central" departments. The profit centre concept is frequently conflict-prone and, unless the control system is properly planned, the conflict is not always constructive. Soundly conceived, well documented and formally issued procedures are necessary which can stand the course of time.

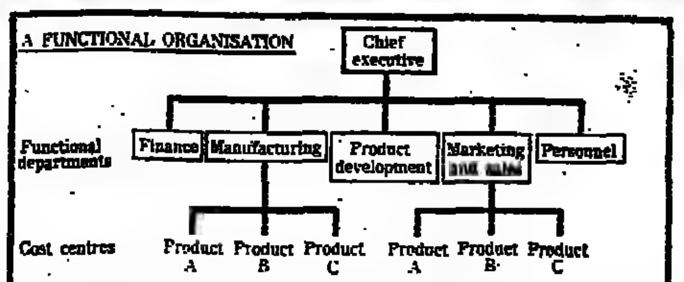
Divisions buying materials and services from other divisions in the same company treat their purchase costs as totally variable. To the company as a whole they are not. Yet risk and strategy can often be based on this misconception. Moreover, there is a tendency which, unless corrected, causes divisions to aim at short-term gain at the expense of longer range profitability. Good, sophisticated means of evaluating divisional performance can correct this (but return on investment if used in isolation is one of the worst criteria). Transfer prices for long run supply items must be adjusted periodically to take changing costs into account, otherwise the end product divisions make relatively higher profits.

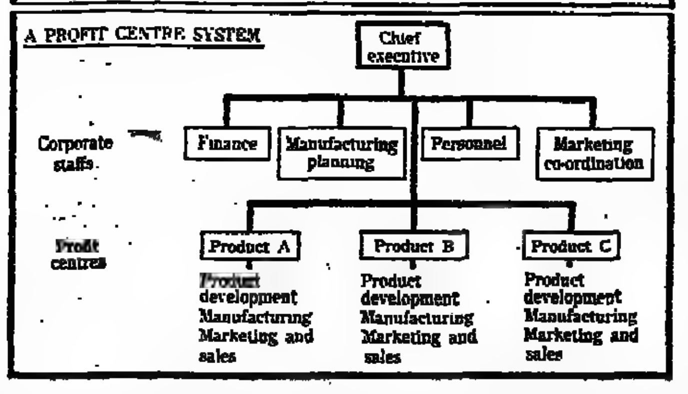
There is a tendency for top management in making the change to maintain features of the old organisation, such as strong corporate staffs, as well as so-called autonomous divisions. This adds to the conflict, escalates costs and can place the best management talent where it has least impact. Profit centres need an abundant supply of good management which in many companies is a scarce commodity. Rarely can the old production centre managers be converted overnight to profit-orientated business entrepreneurs.

Profit centres need a total change in attitude company-wide. Top management must step back (often reluctantly) from close involvement in the divisions but must still have control of the firm. This requires a subtle balance which evolves over time.

Open and articulate discussion of how the organisation is to work and how individual and group responsibilities will relate to each other is essential. With profit centres it is vital for all executives to understand the new organisation. Many companies do not wish to incur the cost and effort associated with this seemingly tedious education. Some lack the ability to define the working relationships.

Regular reviews of the organisation are required as the structure evolves and as the environment changes. Meanwhile, the chief executive's corporate staff departments must remain strong enough to maintain corporate interest when the aims of two divisions conflict, but not so strong as to impair the divisions' effectiveness. Most important of all, the company must know its ultimate organisational target before embracing profit centre management.





The £8bn. Alaskan pipeline epic

BOOK REVIEW: BY RAY DAFTER

800 Miles to Valdez: The Building of the Alaska Pipeline by James P. Roscow. Prentice-Hall, £7. 227 pages

THE £8bn. project has been called the world's biggest industrial project undertaken by a private group of companies. Business writer James Roscow describes it thus: "Technically, managerially and legislatively the pipeline has dwarfed any other modern-day industrial enterprise." It is as hard to fault that description as it is to underplay the pipeline's significance.

By this summer the line should be carrying 1.2m. barrels a day from Prudhoe Bay, the largest oil deposit in the U.S. Together with the existence of oil in the North Sea and Mexico, it is one of the reasons why the Organisation of Petroleum Exporting Countries is temporarily finding demand for its own oil slackening. So the pipeline is a factor in weakening oil prices.

As the book says, Prudhoe Bay and the pipeline have reshaped the four major owners. British Petroleum, once the seventh largest oil company heavily dependent on the Middle East, has jumped to third place in the world rankings. Exxon may soon gain nearly half its U.S. oil from Alaska alone. Atlantic Richfield and SOHIO have been catapulted from the middle ranks of U.S. companies to among the "biggest and best-balanced groups in the country."

It is a salutory thought that the pipeline's total costs are larger than the assets of all but three of its eight owners. But that is the scale of the project which has pushed forward technological and environmental barriers and which has even helped to solve a human rights issue.

The pipeline scheme coincided with a drive to settle native land claims that had stood for centuries. The two became linked and the result was the Native Claims Settlement Act of 1971 which restored 44m. acres of land to Alaska's 70,000 native Aleuts, Indians and Eskimos, as well as giving them a great deal of investment cash.

That piece of legislation, environmental wrangles and prolonged legal battles frustrated the progress of the pipeline which was at first expected to cost $900m. and to be on stream in 1972. It was 1974 before the construction work could really get under way. During the ten years from its conception the project would employ no less than 70,000 people from all over the world.

Roscow describes simply the logistics of the project. "Alaska lends itself to adjectives in streams as undisciplined as its own rivers. Yet all of the adjectives will very nearly be accurate." But cold figures can be as impressive as purple prose. Here is what was needed for the start of the pipeline supply road: "Start with 900,000 gallons of diesel fuel—400,000 delivered by road, 500,000 by air. To use the fuel, bring up 716 construction vehicles and other pieces of equipment from below the Yukon. Take another 75 pieces of equipment out of mothballs at Prudhoe Bay, where it has been stored since 1970, and recondition it. Bring up 600 tons of replacement parts. Bring up 600 prefabricated camp buildings and 2,200 tons of camp supplies. Do all this in less than three months. Okay, now you're ready to start on the real work."

The real work entailed constructing a 48-inch diameter pipeline across a wilderness, much of it permanently frozen, three mountain ranges and over 800 rivers and streams.

Everything was on a grand scale—even the mistakes and crimes. In 1975 it was found that records of a number of pipeline welds X-rays had been falsified. Some 30,800 welds were called into question. These were inspected and eventually 3,955 welds were dealt with and repaired. The cost: $55m. (The project manager for the X-ray contract company died in his flat after taking cyanide).

Roscow's estimate for theft and fraudulent billing in 1975 alone is between $40m. and $70m.

And yet the pipeline was completed by mid-1977, the deadline set in November 1973.

The Alaska pipeline construction was a frontier venture. It not only linked Prudhoe Bay with an ideal export terminal at Valdez in the southerly Gulf of Alaska, it also spanned two distinct periods of time. As Roscow perceptively concludes, it was started when the world thought its supplies of energy were inexhaustible. It was completed when consumers had been shocked by the 1973 energy crisis into the realisation that fossil fuels were being rapidly exhausted.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ELECTRONICS

Tubeless TV camera of the future

DEMONSTRATED by RCA, very recently a lightweight colour television camera has no tubes. Instead, three opto-electronic arrays called charge-coupled devices, or CCDs, perform the functions of these elements, covering red, blue and green respectively.

They are small silicon circuits with a surface area of one-half by three quarters of an inch but are of extreme complexity to provide a sufficiently dense array of light-sensing elements and interconnecting circuits needed for image coding/decoding.

The engineering model demonstrated is for closed circuit TV applications and when it becomes commercially available next year, attractive points for users are expected to be its reliability and ruggedness, coupled with low power consumption and elimination of tube replacement problems.

Further development is in hand and future generations of the unit should find ready application in education and training, as well as industry.

The image sensor, less than three-eighths square inch in area, is formed on a silicon chip and has a matrix of 512 x 320 light sensitive cells. The chip thus has over 160,000 elements formed on its surface while the latest less specialised integrated circuits now being made have under 70,000 transistors.

The RCA sensor has a 13mm image diagonal which is comparable in image format to a ½ inch vidicon tube.

When a scene is focused on the CCD by the camera lens, the light from various parts of it creates thousands of minute electrical charges in the elements—all differing in relation to the amount of light received. These charges are rapidly read out and processed so that they can be reproduced after translation by TV imaging techniques.

More details from RCA International, RCA House, Curzon Street, London W1Y 8EU. 01-499 4100.

Board test sales claim

AT THE same time that it has announced the shift of its European headquarters from Switzerland to the U.K., Massachusetts-based company GenRad has made the surprise claim to the position of "number one" in the circuit board automatic test system market.

In a statement last week the company said that during 1978 it will instal its 1000th system, "a total that far exceeds that of any of GenRad's competitors." The statement continued: "This quantity clearly establishes the company as the world's leading supplier of systems for testing logic, analogue and hybrid circuits."

The announcement appears to be the outcome of a considerable "re-think" by the company of its business posture, dating from 1968 when it was still called General Radio and was then mainly known for its quality radio/electronics bench-top test units, notably signal generators.

Ironically, the company was "backed into" the board test market by an in-house requirement—it had begun to make a low cost counter in bulk and had nothing with which to test it. After investing some 50 man-years in associated software and re-jigging its service organisation to suit, GenRad now claims to be first in the field.

● PROCESSING

Automatic deionising

FOUR FULLY automatic two-bed deionisers for water flow rates up to 1,200 gal/hr have been launched by Aquastat. They are intended for treating make-up water to closed-circulation systems, for small boilers, hospital and laboratory applications, and for low-capacity production plant.

The same control console, with a mimic diagram of the water circuit, is used for each system. The diagram shows all valves in the circuit. It indicates when the system is in backwash, what the current state of regeneration is, and signals the failure of any solenoid valve. Automatic or manual control is available, and the sequence can be stopped at any time.

More from the maker at Romney House, Tufton Street, London SW1P 3DR (01-799 3647).

● COMPUTING

Honeywell's terminal specialists

WITH THE confirmation of the merger between Honeywell and Incoterm, manufacturer of intelligent terminals, Honeywell in the U.K. has decided that the British branch of Incoterm—only subsidiary of Incoterm Corporation outside the U.S.—will operate within the Honeywell management structure in the U.K.

This is an important acquisition for Honeywell, not only because of the excellent reputation of the Incoterm product line—Barclays, Midland and Bank of England are users—but because something like 2,000 terminals have been installed in the U.K. alone, it is believed.

The U.K. staff of the company is around 60 and Incoterm U.K. will continue to provide software and engineering support to European distributors. With the network of Honeywell centres all over Europe, however, the latter will find their market penetration task greatly eased.

For Honeywell, the fact that many users of Incoterm equipment have it connected to computers from other manufacturers will give it a foothold at a large number of new sites.

More from Honeywell on 01 568 9191.

● SAFETY

Stops shock by cutting current

LOW COST should bring a new earth leakage circuit breaker (ELCB) within the scope of many homes and schools, as well as laboratories and plants.

B and R Relays suggests its use where power tools are being operated in damp or hazardous conditions and it will provide protection for individual appliances or equipment rated up to 13 amps. It incorporates a standard 13 amp socket so that appliances can be plugged in directly.

Should an earth leakage fault develop, or if anyone touches a live part of the connected equipment, the ELCB will trip out and the current will be cut off.

Tripping speed is less than 30 milliseconds and sensitivity is to under 30 milliamps of leakage current and the makers believe that even small children or the infirm will be protected should there be an incident.

One of these devices in the home would be protection for the accident-prone gardener who proposes to use electric hedge clippers or an electrically driven lawn mower.

B and R Switch Products Division, Templefields, Harlow CM20 2BG. 0279 34561.

● ENERGY

Improves transfer of heat

CONFIDENTLY EXPECTED to revolutionise heat exchanger design in closed-circuit air-conditioning and refrigeration plant is a surface treatment for evaporator and condenser tubes developed by Hitachi in Japan.

The surface structure is a development of the low finned tube, and is produced by a process resembling thread rolling or knurling. In the condenser tubes, grooves are produced at 0.5 mm pitch. The grooves are then cross rolled to produce spikes in the peaks. For the evaporator tube, a further process bends down the spikes forming a series of porous tunnels.

Substantial improvements in heat exchanger performance have been achieved, according to Hitachi. The basic principle is to increase the surface area, improve the rate at which large bubbles form and therefore the heat transfer co-efficient.

Called Thermoexcel tubes, they are used in water chillers for air-conditioning plant with outputs from 100 to 10,000 tons.

Some of the savings claimed include 20 to 30 per cent. in space required, 25 to 30 per cent. in weight, and 10 to 15 per cent. in power.

Based on American Refrigeration Institute conditions, an improvement of between 15 and 35 per cent. in energy efficiency ratio has been achieved.

To match these advances, the company has also improved its compressor design — including better lubrication, increased motor cooling, noise reduced by 12 dB, and modified valve design (with the assistance of Strathclyde University).

Because of the savings achieved with the new heat exchanger, Hitachi says it has been able to hold the cost of its air-conditioning plant at last year's prices.

Impact of the new tubes on other manufacturers in the refrigeration and air-conditioning industry is stated to be considerable. Among companies which have expressed interest in incorporating the design is the Carrier Corporation, in the U.S., as well as manufacturers in Japan (Ebara and Daiken) and the U.K.

Further developments include applying the surface treatment to flat plates, and increasing the heat transfer area of the tube bore by "dimpling."

Hitachi heat exchange equipment is marketed in the U.K. by Climate Equipment, Highlands Road, Shirley, Solihull, West Midlands B90 4NL (021-705 7601).

Free space heating

WORLD patents are pending on a method and equipment for the recovery of process heat and its application in the heating and cooling of factory premises. Four British companies were involved in the development of this "free heat" system and have formed a trading consortium which will promote the equipment both for green field installations and for conversion of existing factories.

Confidence in the effectiveness of the equipment is derived from several months operation at the 100,000 square foot plant operated at Burton Latimer by Weetabix, which, with Baker Perkins, Daly Heating and Engineering and Stuart Beare Associates, makes up the consortium.

The ovens are gas-fired and it is from the combustion gases that the waste heat is recuperated. These gases are collected into ducting which takes them to a heat recovery unit and this heats incoming fresh air before the gases are discharged. Initially, an additional energy source was installed to provide chilling of incoming air in summer. But chilling can now be provided via the same process heat source.

The main characteristic of the system is its simplicity and the only moving parts are the fans which handle the air.

At the plant where the original equipment was installed, Weetabix is allowing for four years' payback together with a saving on space heating of some 40 per cent. of process energy costs.

Further information from Stuart Beare Associates, Colston Leys, 1, Burnell Close, Bidford on Avon, Warwickshire.

Sharp cut in cost of comfort

MAJOR savings in fuel consumed and in maintenance are reported for a natural gas-fired warehouse heating system developed by the Casaire company in conjunction with NRDC.

Installed in an Argos warehouse in Daventry which has 12.5m. cubic feet of space, the equipment will heat up the building in just 20 minutes, blowing air heated directly by natural gas (and thus with 100 per cent. thermal efficiency) through high-level venturi, fitted to the ducts at ceiling level.

Extremely good mixing is achieved since the thermal gradient through the 35-foot high warehouse is only 3 degrees C.

Compared with a similar warehouse heated by a conventional gas-fired hot water system, the Casaire-equipped building consumes 30 per cent. less fuel and maintenance costs are drastically reduced to £300 a year compared with £5,000. This is primarily because, apart from the main circulation fans, there are no pumps, valves or dampers in the Casaire design.

Wall-mounted thermostats control the delivered temperature by acting on the burner flame which has a turn-down ratio of 25 to 1. Stable and clean combustion—an important factor—is claimed over the whole range.

Further information from Casaire, Raebarn House, Northolt Road, Harrow, Middlesex HA2 0DY. 01-864 0288.

● OFFICE EQUIPMENT

Shreds waste paper

WITH AN 18½-inch wide throat, the latest shredder from Ofrex, the Fordishred 1800, cuts cardboard and paper waste into ¼-inch strips at a rate of ¾ ton/hr. of continuously fed paper.

Working at a speed of 60 ft./min., the machine will shred a complete file of some 50 sheets, including staples, pins and paper clips, in one pass, ejecting the strips into a polythene sack mounted below the unit.

An electronic sensor detects overloading of the shredder before jamming occurs, and the offending material is rejected for separation and refeeding. A power overload cut-out sensor is also fitted. These overload sensors allow the operator to leave the machine to deal with continuous forms unattended.

Conforming to BS 4644 and BS 3861 for electrical and mechanical standards, the machine is powered by a 1½ hp motor, and operates from a 13A socket.

Details from the maker at Stephen Street, London W1A 1EA (01-636 3686).

● METALWORKING

Aluminium in odd shapes

ALUMBAZ is ready to conclude know-how agreements with foreign companies on a process it has developed for the production of special aluminium profiles for the building of odd-shaped windows, or profiles for other building purposes.

Its method permits bending the aluminium to form a circle of up to 1.80 metres diameter, sealed by one seam (which is usually covered by a decorative handle). Or it can produce hexagonal windows seamed in four places that can be fully opened without the need for a centre bar.

A recently completed project was a trapezoidal-shaped structure for a shopping centre, made entirely of aluminium profiles.

The Alumbaz company is at PO Box 837, Beersheba, Israel.

● INSTRUMENTS

Indicates level of oxygen

AN OXYGEN analyser has been designed for use in burner control, industrial processing and safety procedures. An essential part of it is an oxygen sensing device developed by scientists at the City University, London.

Two versions of the instrument are available, one portable and powered by rechargeable batteries, and the other, with more facilities, and battery/mains operated.

The oxygen level is shown, on an LED display, from 0 to 35 per cent. in 0.1 per cent. steps. It is stated to be accurate to within ±2 per cent. of the displayed reading between 15 and 35 per cent. oxygen with a response time of 5 seconds.

The instruments have a two-tone alarm which indicates low battery, and which can be pre-set to indicate high or low levels of oxygen. These indications are also shown by a flashing display.

The units are unaffected by temperatures from −5 to +50 degrees C., pressures variations between ±20 per cent. of atmospheric, and relative humidity up to 100 per cent.

Including the connecting cable, the sensor weighs 300 grams and measures 30 mm diameter by 80 mm. It can be lowered on its four metre long cable into tanks to check the oxygen level.

In safety applications the portable unit can be used to check oxygen deficiency in areas where inert gas purging has been used, and in confined spaces. It can also check for excess oxygen in industries such as steel making, in sewage works, and other processes, where liquid oxygen is used and may present a fire hazard. The unit can be taken into confined spaces and work areas, when it acts as a continuous monitor to provide an alarm if too much or too little oxygen is present.

A major application envisaged for the larger unit is in monitoring the oxygen content of flue gases.

The instruments, which will be available at the end of February, are made by Neotronics, Building 102, FSTS Site, Stansted Airport, Stansted, Essex CM24 8QX (0279 870182). The portable unit will cost £185 and the larger unit's price will range from £285 to £330 depending on the optional facilities fitted.

● TRAINING

Learning to tame micros

DESPITE the thousands of words written each week about the microcomputer, what it will mean to industry and methods of using it, trained engineers who want to learn—quickly—how to go about incorporating micros into their designs are finding it hard to obtain adequate courses with the appropriate amount of practical content.

One series of micro use courses, designed by an independent software specialist and now given the backing of Motorola for use both in the U.K. and Europe, is attracting considerable attention from other micro manufacturers as well as engineers from many companies in the field, including IBM.

For the present they consist of a five-day introductory session and a ten-day "workshop" which presupposes a basic knowledge of microprocessors—which need not cover Motorola products.

Apart from hearing the formal lectures on the design of operational routines, participants have ample time to work with equipment specifically designed to show how micros fit into, say, control systems. One piece of equipment allows a micro system to communicate with another such, and so on.

By the end of the course any control engineer should be able to design and test programs to run on micros and link the latter to other equipment satisfactorily.

More from Bleasdale Computer Systems, 32 Eastway, Morden, Surrey SM4 4HW.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

LOMBARD

From class to caste

BY JOE ROGALY

BRITISH society may be disintegrating, but it does not quite understand why. That is the principal message to be received so far from the current series of *Reith Lectures* by *Dr. A. H. Halsey*, Professor of Social and Administrative Studies at Oxford. Wednesday's broadcast, the third, must have struck listeners to Radio 4 as especially puzzling, since it concerned itself with that most impenetrable of social phenomena—status.

This appreciation of the content of Dr. Halsey's talks is not meant to be an adverse comment on their quality. We have yet *to hear the remaining three lectures*, and it is always possible that by the end he may have provided an explanation that satisfies at least some of us. And it can already be said of his broadcasts that they set down *pieces of the puzzle, which is a* start.

The opposite

Some of those pieces are worth picking up at once. For example, in a few more or less throw-away lines last Wednesday Dr. Halsey suggested that while most British classes and status-groups may be *fairly* loose-knit nowadays, the classical working class has become so tightly bound that it is very nearly a *caste*.

"*There has developed*," he said, "a more homogeneous and indeed *more hereditary working* class. This is not, by any means, the expanded and immiserated proletariat of classical Marxist prediction.

"Quite the opposite. It is contracted, better off, and more *collectively powerful*. But *it is* largely recruited from second and third generation people of working class antecedents."

The listener's mind jumps immediately to the miners, or the shipbuilders on Tyneside, or unemployed dockers, or the wandering gypsies of the building trade: *Caste explains some of their* behaviour with far more clarity than *class* or *status*.

Again, in last week's lecture, Dr. Halsey reminded us of the extent of the contraction of the traditional working class. At the *beginning of the century over* three quarters of the economically active population was earning its living by manual labour. Now the equivalent figure is about a half, and still falling.

Whereas the century started with a *fairly stark division* between ruling classes and the rest, now we have in the middle the semi-skilled and skilled manual workers (two distinct groups), and the huge advancing armies of clerical and sales workers. The elite itself is more diffuse. The change, says Dr. Halsey, is "from the shape of a pyramid *to* that of an electric light bulb." This is of course *characteristic of most advanced* industrial societies, but in Britain the new class structure is complicated by peculiar national attitudes to status (who is grander, a trade union leader or a company chairman?) and caste.

It is here that another piece *of the puzzle, well-known, but* well worth re-examining, is produced by Dr. Halsey. Much of the change in our class structure is accounted for by the growth in the number of women taking jobs. We are still so unaccus*tomed to the regular employ*ment of large numbers of women in factories, shops and offices that thinking about our society —what was once called the study of political economy—has not yet caught up with the change. *In West Germany the unemploy*ment figures are privately discounted by the number of women on the rolls.

Or take another piece, not *often studied but, I suspect, often* thought about. Dr. Halsey talks about the "social division of labour, which includes the exchanges in families, the services of the Samaritans, and the fiddles unrecorded by the Inland *Revenue*." In *short*, he says, there is "another economy of vast dimension."

Moonlighting

This sub-economy is well understood by the Italians, who possibly regard it as of greater importance than the respectable economy whose activities are *recorded in the official statistics*. In Britain the extent of moonlighting, small jobs for cash only, payments in kind, and the like is not measurable, but many people suspect that it has grown.

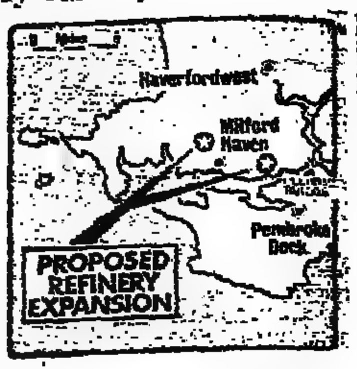
What are the social and *political results?* *Is there* less class inequality than the figures imply, because the sub-economy evens out some of the disparity? Or do the classes benefit from such clandestine activities in proportion to their existing incomes and *wealth? Or is it that the rich* moonlighters do best of all? We do not know, and we do not possess the tools with which to assess such important changes.

I said at the beginning that the general import of the lectures so far is that what at the turn of the century was an *understandable structure of* society has become a vast puzzle. We knew that. We are now able to set out some of the pieces. But it will probably take another Marx or Keynes to put them together.

AROUND BRITAIN: PEMBROKE DOCK

Waiting in hope for the ferry

BY ANTHONY MORETON, Regional Affairs Editor



THE ECONOMY of the towns surrounding Milford Haven is due to get a most welcome boost during the next two years. Two fluid catalytic crackers are to be built—a £290m. plant jointly by Texaco and Gulf and another, expected to cost £75m., by Amoco and Murco. Moreover, B+I Line, the Irish shipping company, plans to move its ferry terminal, subject to Government approval, from Swansea to Pembroke Dock in May 1979. The crackers will, at the peak of construction, provide work for over 2,000 men and eventually give long-term jobs to some 400.

By comparison, the terminal might seem small beer: an outlay of £4m. and probably no more than 100 men employed on the construction project.

Yet it is the ferry terminal which is exciting most interest since it is considered to be of greater long-term benefit to the town as a result of the better employment mix which its 200 jobs will create. Like other parts of West Wales, Dyfed suffers from the seasonal nature of so much of its employment, in tourism and agriculture, which exerts a great strain over the winter months. Even more important, because of the lack of sufficient light industry *it is difficult to provide jobs*, particularly apprenticeships, for young people, with the result that many of them leave to find work elsewhere.

This problem is nothing new for Pembroke Dock. Its heyday was during and after the First World War. Built as a naval dockyard it has never really recovered from the withdrawal of the Royal Navy in 1926. The other towns around the Haven have been equally hard hit: Neyland, once a prosperous railway town, has suffered the consequences of the cutbacks in the railway network; and Milford Haven has seen its fishing fleet drop from over 120 boats to ten.

The vulnerability of the Suez Canal and the consequent rapid rise in the size of oil carriers has brought some relief. Milford Haven was discovered to have some of the best deepwater anchorages in the world. In Europe, only Europort can rival its facilities. As a result, since the early 1960s four oil majors—Texaco, Gulf, Amoco and Esso—have built refineries around the Haven and BP has a tanker storage terminal.

Such refineries are, inevitably, capital intensive and employ no more than 1,500 among them. Almost all are men, *many of them semi-skilled, with* a proportion brought in from outside. *It has even been suggested* that large construction projects of this type actually aggravate the unemployment position eventually, because many of the workers, attracted by the area, settle down there even without a job to go to.

For this reason, the ferry port is being widely welcomed. B+I has been in Swansea for 10 years, although it is not an ideal location for it. The crossing takes 10 hours, leaving only two hours — the very minimum — for turnround. By rescheduling its crossing from Cork into Pembroke Dock, B+I can bring the crossing time down to seven hours. Not only does this allow for more time in dock; it will permit a saving of about one-third on fuel costs, and fuel is the *important factor* at sea these days.

That the terminal can be built at all is in no small measure due to the imaginative Milford Haven Conservancy Board. The Board is unique in Britain. It was *set up by Act of Parliament*, and is not part of the nationalised ports undertaking but a member of the National Ports Council. In *effect, it is* autonomous. One of the main exceptions to that autonomy is that it needs ministerial consent for any investment over £1m.

It is this point which has allowed opponents of the B+I move—Swansea's MPs, the Welsh TUC, the people of Fishguard, where British Rail runs a ferry service to Rosslaire —to mount a campaign of opposition to B+I's proposed move. But they are facing a losing battle. B+I also does not want to stay in Swansea because of tidal problems and if the Minister does not give it permission to go to Pembroke Dock then it will almost certainly use the £15m. boat now being built in Cork—capable of handling 350 cars and 1,500 passengers every crossing and destined *for the new service*— on some other run.

This would be a *major* blow to Pembroke Dock. Col. J. A. Sullivan, the Conservancy Board's general manager, goes as far as to say that *Ministerial* refusal would be contrary to the terms of Magna Carta, *which* allowed every Englishman the right to trade with any *foreign* merchantman who could bring his ship in. Col. Sullivan has been instrumental in attracting B+I because it was he who saw the possibilities of developing a 250-yard waterfront site with eight acres of hinterland. He bought the land from Richard Hayes Investment and intends to fund the £4m. cost of development to B+I over 20 years, a longer lease than the line had at Swansea.

However, if B + I will save on the shorter run, the motorist driving to the terminal will have to add about 60 miles to his journey. This will inevitably lead to congestion on the narrow roads beyond the end of the M4, particularly with the number *of heavy lorries* now using this route. To overcome *this*, road improvement schemes are being drawn up for *the worst bottlenecks*, particularly St. Clears, and it is envisaged that some work will be undertaken *in Pembroke Dock* itself.

It is on the terminal itself, though, that most hopes are based. Pembroke Dock is not a lovely town at first sight; the dockyard has a decaying appearance. Some of the small engineering concerns which have sprung up in the hope of work for Celtic Sea oil have taken space in the yard but their contribution to the local economy has not managed to bring the level of employment down below 15 per cent., two and a half times the national average.

The ferry itself will contribute *only marginally* to solving the problem of finding jobs. Its *importance* is that it will provide a variety of jobs and people in the town are very excited about it. It is no wonder that Col. Sullivan calls it the most exciting thing that has happened to Pembroke Dock for a very long time.

Leirum set for Ayr win

RACING

BY DOMINIC WIGAN

IT OFTEN PAYS to follow Brian Lusk's Irish raiders at Ayr and his two there to-day, Leirum and Ballymurray, are well worth considering.

The first from this pair to take the field is that progressive and now extremely useful seven-year-old, Leirum, who bids for a fourth consecutive course and distance victory in the opener, the two-mile Barr Novices *hurdle*.

Leirum, the 10-lengths con*queror of the odds-on Justafancy* at Ayr in November, went on to beat Minibus by the same margin in a similar event early in December before giving Moorside a good *deal of weight* and a seven-lengths beating in *a division of* the Cardhu Hurdle at the last Ayr meeting.

Leirum, who could have doubled that seven-lengths margin with the minimum of fuss had Frank Berry so wished, meets possibly tougher opponents this afternoon. Nevertheless, he has been winning with such authority that I not only expect him to defy the formidable steadier but also to win again in impressive style before going on to better things.

In contrast to Leirum, Ballymurray has been having a lean *time of it, since making* a winning re-appearance in a maiden hurdle at Dundalk in October. A fair third in a similar event at Down Royal on Guy Fawkes' Day, Ballymurray then put up an inexplicably poor display when favourite for an Ayr amateur riders' hurdle.

In the belief that he simply had an "off day" there and that *to-day's race will take little win*ning, I am prepared to give Ballymurray another chance to confirm his notable early season promise.

An hour earlier Mark Henry, the easy conqueror of Rathgorman at *the last meeting, is* given a tentative vote to follow up in the far more competitive West of Scotland Pattern chase.

Meanwhile, at Doncaster, Tempting Times and Flying Hugue look like being two more for the Dickinsons.

At Cheltenham, a £1.5m. rebuilding scheme involving demolition of the old weighing room block opposite the winning post and the adjacent wooden club stand is to begin after this year's National Hunt Festival meeting, subject to planning permission being obtained.

The cost will be met by a short-term interest-free loan of £600,000 *from* the Horserace Betting Levy Board, with the remaining £900,000 being provided from Cheltenham's own resources *and commercial* loans to the Steeplechase Company.

The new concrete structure will provide club patrons with undercover standing for about 2,250 and 650 seats on the second-floor level. The ground floor of the new building will incorporate a bar for Tattersalls patrons, replacing the old Hattons Grace bar.

AYR

1.45—Leirum*
2.15—Ormonde Tudor
2.45—Deep Ribble
3.15—Mark Henry
3.45—Blabbermouth
4.15—*Ballymurray****

DONCASTER

1.30—Tempting Times**
3.00—Flying Hugue
3.30—Mister Know All
4.00—Timoshenko

17th-century sampler fetches record price at Christie's

SALEROOM

BY ANTONY THORNCROFT

FOUR NEEDLEWORK chair *covers and backs*, dating from the 18th century, sold for £1,500 at Christie's, South Kensington, yesterday in a costumes and textiles auction which fetched £21,124. A needlework picture of 1660 made £1,200, and there was an auction record *price of £1,100* for a 17th-century long sampler.

Another interesting price was the £360 for a silk apron of 1730 in mint condition. Museums were active buyers, with the Leicester Museum buying shoes and the Nottingham Museum buying hats.

A Christie's sale of objects of art, and continental furniture, totalled £79,502. An ormolu mounted ebony and boulle bureau-plat of Louis XV design but dating from the mid-19th century and stamped "C. Mellier and Co. of London," sold to the London dealers A. and F. Gordon *for £3,200*.

A set of four Louis XVI-style giltwood fauteuils sold to a private buyer for £2,500.

The same price was paid by Noble Antiques for a pair of 19th-century French gilt-metal mounted purpleheart pedestal cabinets and two 17th-century Brussels tapestries from the series woven from the Raphael cartoons sold to the Belgian dealer Charaban for £2,100.

A marquise-shaped diamond, weighing 5.48 carats and set in a ring, sold for *£24,000, plus the* 10 per cent. buyer's premium, at *Sotheby's yesterday* in a jewels sale which totalled £180,680.

An unmounted sapphire weighing 13.21 carats fetched £12,000 and a circular cut diamond weighing 4.74 carats, also mounted as a ring, made £5,000. Sapphires were in particular demand and an unusual lot was *a Victorian gold brooch set with* a Greek silver stater of the late 4th century, *which sold for £800*, double its estimate.

At Sotheby's Belgravia silver and plate brought in £65,723 with a highest price of £1,600 for a couple of German tea caddies and a pin box in one lot. A set of German tableware of around 1805 totalled £750.

Sotheby's associate saleroom, Henry Spencer of Retford, sold silver, for £17,721. A late 18th century pocket watch by Noll of Paris made £960

The highest price in the Sotheby watercolour sale was the £1,000 *from* Spink *for Head Piece*, a small drawing by Thomas Rowlandson which sold for three times its estimate. The auction totalled £26,385

Edmund Penning-Rowsell writes: The central feature yesterday of *Christie's first Bordeaux* sale this year was the auction of 14 *vintages, from* 1945 to 1974, of Ch. Trotanoy, a small but distinguished Pomerol estate.

Top price was for six bottles of the 1945 (£260) and the 1961 rose to £280 per dozen, while the 1966 went for £130 per six magnums, and *£115 for six 1970* magnums. The purpose of the sale was, *no doubt*, to secure publicity for the chateau, rather than to dispose of stocks for only 35 dozen standard-sized bottles were offered.

The rest of the sale demonstrated the rising demand for the 1970s and 1971s—those vintages most sought-after in the boom years *of the early 1970s* and later thrown on to the market, often at give-away prices.

Big guns sink their opponents

TENNIS

BY JOHN BARRETT

PHILADELPHIA, Jan. 26

AS THE U.S. Pro Indoor championships reached the halfway stage before 8,440 fans, who braved the *storm-swept streets* of Philadelphia to reach the Spectrum Stadium, the big guns began to fire with ominous efficiency so that 14 of the original 16 seeds stand at their appointed places in the third round.

The first and second seeds, Jimmy Connors (U.S.) and Bjorn Borg *(Sweden), who had been* opponents in Florida last Sunday, both advanced to the last 16 with straight sets wins against experienced opponents who were made to look helpless.

Connors, at the head of the draw, *nullified the service power* of the Italian No. 1, Adriano Panatta, with some tremendous hitting which earned him a 6—3, 6—2 win in an hour and a quarter.

Despite serving five aces in the opening sets, Panatta was left groping for his volleys as the American leapt at the ball with his two-fisted backhand, and fierce forehand.

To-night, Connors faces the lone Briton, Buster Mottram, who lost to the American No. 1 in the first round here last year.

At the foot of the draw, Borg was, if anything, even more impressive. It took him a bare 55 *minutes to dismiss* Tom Okker, the flying Dutchman, 6-2, 6-1 and he hardly made a mistake.

Okker started well and held a point to lead 2-0 but this early promise was blown away in a veritable storm of Swedish aggression as Borg lashed his *spinning ground strokes*, deep and fast, to the corners.

The shot which ended the match graphically summed up Borg's superiority.

At 30—40, Okker hit a cracking first serve that hit the sideline. Against *most opponents*, it would have been an ace, but Borg, launching himself to his left, caught the ball in the middle of the racket and projected a double-handed rocket that had landed in Okker's back*hand corner almost before* he had completed his service swing.

It was the shot of a master, very first point of the match.

Brian Gottfried, the No. 3 seed, restored confidence in the seeding committee with a straightforward 6—3, 7—6 win against Poland's Wojtek Fibak. Raul Ramirez, Gottfried's doubles partner and the seventh seed here, was too strong for Rosewall, the 43-year-old veteran from Australia, and beat him 6—4, 6—2. A curiosity of the match was that only two service games were held in the opening set, one *by each man*.

In the first of the third round matches *Vitas Gerulaitis*, the No. 4 seed, was defeated by his friend and doubles partner, Sandy Mayer, the No. 15 seed. Mayer won 6—2, 7—5 on his third match point and said afterwards that he found it difficult to play someone whose game was so familiar to him.

Another reverse for the formbook came when Roscoe Tanner stormed through the final set to beat the No. 8 seed, Ilie Nastase, 6—1, 6—7, 6—0, *despite* the usual Nastase antics, which began with a queried line decision on the

Such has been the breathless advance of tennis in the decade since open tennis was introduced in 1968 that Borg and Connors have each won more than $200,000 already this year.

Together with Guillermo Vilas (Argentine), who last year won more than $750,000 from the Grand Prix competition alone, they have opened up a gap at the top of the game that is reflected in the new Association of Tennis Professionals computer rankings, issued weekly.

Connors is at the top, with Vilas second and Borg third, but perhaps *more interesting* is the spread of nationalities among the top 50 players with 20 countries represented.

How the game has blossomed

TV/Radio

† Indicates programme in black and white.

BBC 1

9.30 a.m. For Schools, Colleges. 10.45 You and Me. 11.05 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mr. Benn. 2.05 For Schools, Colleges. 3.20 Trem: The assassination that started World War I. 3.53 Regional *News for England* (except London). 3.55 Play School (as BBC 2 11.00 a.m.). 4.20 It's the Wolf (cartoon). 4.25 Jackanory. 4.40 Clangers. 4.55 Crackerjack. *5.35 Fred Basset*.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide Goes North.
6.45 Sportswide.
7.00 *The Pink Panther Show.*
†7.20 Sherlock Holmes Investigates: "The Woman In Green," starring Basil Rathbone.
8.30 *Porridge.*
9.00 News.
9.25 Gangsters.
10.20 To-night (London and South-East only).
10.50 Regional News.
10.51 Max Boyce in Concert.
11.21 The Late Film: "Blue," starring Terence Stamp.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Sioncyn Shoncyn. 5.55-6.20 Wales To-day. 7.00 Heddiw. 7.25 Twm Sion Cati. 7.55-8.20 Sykes. 10.20 Kane on Friday. 10.50-10.51 News for Wales. 11.21-12.26 a.m. Sherlock Holmes Investigates: "The Woman In Green."

Scotland—10.22-10.45 a.m. and 11.05-11.25 For Schools. 5.55-6.20 Reporting Scotland. 8.30-9.00 Current Account. 10.20 Spectrum. *10.50-10.51 News for Scotland.*

Northern Ireland—10.23-10.45 a.m. For Schools. 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 10.20 Derek Bell—One Man Band. 10.50-10.51 News for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth). 10.20-10.50 East (Norwich) Newscue; Midlands (Birmingham) The Garden Game; North (Leeds) Jimmy Savile's Yorkshire Speakeasy; North-East (Newcastle) Watch This Space; North-West (Manchester) Sit Thi Deawn; South (Southampton) Conversation; South-West (Plymouth) Peninsula; West (Bristol) Public Life.

BBC 2

11.00 a.m. Play School.
7.00 p.m. News on 2 Headlines.
7.05 Discovering Patchwork.
7.30 Newsday.
8.10 Kilvert's Diary.
8.25 The Money Programme: The Rate Debate (a report from Wigan).
9.00 Pot Black '78.
9.30 Horizon.
10.20 The Mayor of Castlebridge.
11.15 Late News on 2.
11.25 Closedown: Peter Jeffrey reads "How Beastly the Bourgeois Is" by D. H. Lawrence.

LONDON

9.30 a.m. Schools Programmes. 11.55 Felix the Cat. 12.00 A Handful of Songs. 12.10 p.m. Daisy, Daisy. 12.30 Cuckoo in the Nest. 1.00 News plus FT index. 1.20 Help! 1.30 Money-Go-Round. 1.55 Beryl's Lot. 2.25 Friday Matinee: "Don't Raise The Bridge, Lower The River." 4.15 Horse in the House. 4.45 Magpie. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Mind Your Language.
7.30 Maggie and Her.
8.00 General Hospital.
9.00 The Professionals.
10.00 News.
10.30 Police 5.
10.40 An Audience with Jasper Carrott.
11.10 Baretta.
12.05 a.m. George Hamilton IV.
12.35 Close: Leonard Pearcey reads a poem by Hilaire Belloc.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.25 Friday Film Matinee: "Information Received." 3.50 Out of Town. 5.15 Happy Days. 6.00 About Anglia. 10.30 Probe. 11.00 Friday Late Film: "The Seventh Sin." 12.45 a.m. Men Who Matter.

ATV

1.20 p.m. ATV Newsdesk. 1.55 Indoor League. 2.25 The Sullivans. 3.25 Beryl's Lot. 3.50 Stars on Ice. 5.15 Wish You Were Here . . . ? 6.00 ATV Today. 10.30 Big Film Premiere: "Embassy."

BORDER

†1.20 p.m. Border News. 1.55 Betty Boop Cartoon. 2.00 Matinee: "The Man." 3.50 Beryl's Lot. 5.15 Happy Days. 6.00 Lookaround Friday. 10.30 Wintersport. 11.00 Late Film: "Shadow On The Land." †12.40 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 1.55 Cartoon. 2.00 Upstairs, Downstairs. 3.00 The New Avengers. 4.00 Cartoontime. 6.00 Report at Six. 10.28 Channel Late News. 10.35 Late With Danton. 10.50 Late Night Movie: "Modesty Blaise." 12.45 a.m. News and weather in French.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 1.55 Indoor League. 12.25 Friday Matinee: "Snowbound" starring Robert Newton. 3.50 Beryl's Lot. 6.00 Grampian Today. 7.30 Welcome to the Ceilidh. 10.30 Reflections. †10.35 The Friday Film: "Spellbound" starring Ingrid Bergman and Gregory Peck.

GRANADA

1.20 p.m. This Is Your Right. 1.55 Friday Matinee: "State Secret" starring Douglas Fairbanks Jr. 3.50 Beryl's Lot. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Kick Off. 10.30 Reports Extra. †11.00 Great Films of the Century: "King Rat."

HTV

12.30 p.m. The Cuckoo Waltz. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 1.30 Indoor League. 2.00 Women Only. 12.25 "The Angry Silence" starring Richard Attenborough. 3.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 10.30 Report Extra. 11.05 The Friday Film: "Pray for the Wildcats."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.15-4.45 Cor Meibion Cynghordd. 6.00-6.15 Y Dydd. 7.30-8.00 Showcase. 10.30 Outlook. 11.30 Dan August.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 p.m. News and Road Report. 1.55 Betty Boop. †2.00 Friday Film Matinee: "The Card" starring Alec Guinness. 3.50 Beryl's Lot. 5.15 Professor Kitzel. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Rhythm. 10.30 Ways and Means. 11.00 Nexures. 11.15 Late Call. 11.20 Baretta.

SOUTHERN

1.20 p.m. Southern News. 1.30 Indoor League. 2.00 Women Only. 2.25 Friday Matinee: "Murdock's Gang." 3.50 Beryl's Lot. 5.10 Weekend. 5.20 Crossroads. 6.00 Day by Day (Channels 6, 11, 27, 42, 30 and 60). 6.00 Scene South East (Channels 10, 43, 64 and 66 only). 6.30 Out of Town. 10.30 A Southern Report. 11.00 Southern News Extra. 12.30 McCloud

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 1.55 Wish You Were Here . . . ? †2.30 Friday Film Matinee: "A Window in London." 3.50 Beryl's Lot. 5.15 Mr. and Mrs. 6.00 Northern Life. 10.30 Sportstime. 11.05 The Friday Night Film: "Fear in the Night." 12.00 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 1.55 Friday Matinee: "State Secret." 3.50 Beryl's Lot. 4.13 Ulster News Headlines 5.15 The Brady Bunch. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.50 Police Six. 7.00 A Drop in Your Hand. 10.30 Two at 10.30. 10.35 Sportscast. 11.05 Friday Film: "Shell Game." followed by Bedtime.

WESTWARD

9.20 a.m. West Country Job Finder. 12.26 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 1.55 Cartoon. 2.00 Upstairs, Downstairs. 3.00 The New Avengers. 4.00 Cartoontime. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.35 Late with Danton. 10.50 Late Night Movie: "Modesty Blaise," starring Dirk Bogarde. 12.05 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 1.55 Betty Boop. †2.00 Friday Film Matinee: "The Card." 3.50 Beryl's Lot. 5.15 Calendar Sport. 6.00 Calendar (Emley Moor and Belmont editions). †10.30 Great Films of the Century: "Mutiny on the Bounty," starring Charles Laughton and Clark Gable.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Peter Powell including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 Joe Loss and his Orchestra (S) (joins Radio 2). 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Ray Moore (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 2.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Joe Loss and his Orchestra in Band Parade (S). 8.02 Neil Richardson conducts the BBC Radio Orchestra (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Treble Chance. 10.30 Let's Go Latin with the Denis Lopez Liquid Latin Band. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

‡Medium Wave only

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Brahms (S). 10.00 BBC *Northern Ireland Orchestra (S).* 11.00 Composers' String Quartet, part 1 (S). 11.30 Interval Reading. 11.40 Composers' String Quartet, part 2. 12.15 p.m. Cardiff Midday Prom, part 1. 1.00 News. 1.05 Playbill (S). 1.20 Cardiff Midday Prom, Part 2. 1.50 The Part-Song Repertory (S). 2.20 Music for Wind Ensembles (S). 3.05 Allan Schiller piano recital, part 1 (S). 3.45 Interval Reading. 3.50 Allan Schiller, part 2. 4.45 The Young Idea (S). 5.45 Homeward Bound. 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Leisure and Recreation. 7.30 Music from Pebble Mill, part 1 (S). 8.15 The Newgate Pastorale: The origins of "The Beggar's Opera." 8.35 Music from Pebble Mill, part 2 (S). 9.20 The Unimportance of Being Right. 9.35 BBC Singers at St. John's (S). 10.35 Music Now. 11.15 Berlioz on record (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song on record.

Radio 3 VHF only: 6.10-7.30 p.m. Open University.

RADIO 4

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today. 8.45 Yesterday in Parliament. 9.00 News. 9.05 Voice of the People. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Lifelines in Medicine. 12.00 News. 12.02 p.m. You and Yours. 12.27 My Music (S). 12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00) from Bristol, including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.00 News. 4.05 Mistinamen. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity (S). 5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Instant Sunshine (S). 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending . . . 10.55 My Delight. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.20 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Lobby. 9.30 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 Black Londoners. 10.00 Track Record. 12.00—Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 A.M.: non-stop news, travel, sport, reviews information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'clock Call. 8.00 After 8—with Ian Gilchrist. 9.00-5.00 a.m. Nightline.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'clock Thrill (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Jonathan King (S). 11.00 Mike Allen's Late Show (S). 2.00 a.m. Ian Davidson's London Link International (S).

F.T. CROSSWORD PUZZLE No. 3,578

ACROSS

1 Horse we start burdening with spinner's product (6)
4 Talked *nonsense*, making serf blush (8)
10 *One* who keeps the wheels turning for bribes? (7)
11 Mason in confusion builds a house (7)
12 The filming of one scene from "Kate" (4)
13 Feature of morass that glows in planet (10)
15 Quiver in silent remorse (6)
16 Tower in which time ran out (7)
20 *Captain starts savouring* fish (7)
21 Dog born before bird (6)
24 Punish in field of study (10)
26 Caught monkey in head of land (4)
28 Speech in the place where one may be found (7)
29 Pledge I'm returning in ordinary language (7)
30 Occurrence I had to follow with a note *at night* (8)
31 Cold female gets obstinate (6)

DOWN

1 Ponder over tooth it swallowed (8)
2 Headlong objective of the hangman (5-4)
3 Comfort as seen between Orientals (4)
5 Fleece the little beast's *family* (8)
6 Successfully defended as *pointed out after five* (10)
7 Get up about a pay increase (5)
8 Continental article in dish (6)
9 Soldiers in bad surroundings making money (5)
14 Remark about unusual lip could be flattery (10)
17 Chasing English and ranting (9)
18 Knew it could be accomplished (8)
19 Clergyman is right always before the end (8)
22 Imagine I'd consume the first of the entrees (6)
23 Bird to shoot (5)
25 Plant coming from southern border (5)
27 Thus a river may rise (4)

Solution to Puzzle No. 3,577

APPOINTMENTS

EMI music reorganisation

A number of organisational *changes have been made by EMI* from March 13 to strengthen its position in recorded music.

Mr. Leslie F. Hill, a group divisional director of EMI and *managing director of EMI Records* (U.K.), will become director, group music, responsible *to* Mr. J. M. Kuipers, a group managing director of the parent concern. Mr. Hill will work in association with Mr. Bhaskar Menon, president and chief executive of Capitol Industries-EMI Inc. and controller of the group's *music in* North America and Japan, to develop policies for music activities worldwide. In addition, Mr. Hill will be deputy chairman of *EMI Records (U.K.)* and overseer of that operation, with Mr. L. G. Wood continuing as chairman. Director of U.K. records operations and managing director of EMI Records (U.K.) will be Mr. Ramon Lopez, who is deputy managing director of EMI international operations.

At the beginning of next month *Mr. Francois Minchin* takes up the appointment of regional director, music operations, France and Southern Europe. He will be responsible to Mr. Wilfred Jung, director of operations, music, Europe, who reports to Mr. M. O. Hamilton, regional director, Europe. Mr. Minchin will also *have a supervisory* position for all music publishing in mainland Europe and will *join the* Board of EMI Music Publishing. He will relinquish his post as president and managing director of Pathe Marconi EMI SA and associated companies in France, where he will be succeeded by Mr. Philip Brodie, at *present* based in London as director, planning and facilities development, music.

*

Mr. R. E. B. Lloyd has been appointed a non-executive director of VICKERS. Mr. Lloyd has been chief *executive* of Williams and Glyn's Bank since 1970, but will take up his new *appointment* as a deputy chairman of Hill Samuel and Co. on February 1 and continue as a non-executive director of Williams and Glyn's after that date.

*

Mr. Gordon W. N. Palmer has been elected chairman of the ASSOCIATED BISCUIT MANUFACTURERS in place of the late Mr. R. P. Carr.

*

Mr. David A. Wilson, managing director U.K. division of ABBEY, has decided not to renew his contract, on its expiry this year, for *personal* reasons. He will relinquish his executive responsibilities from April 30 but will remain as a non-executive director of the U.K. companies.

*

Mr. Barrie G. Wills, assistant managing director of the RELIANT MOTOR COMPANY is to resign and will leave at the end of this month. The move follows the *recent major* re-structuring of the company's Board

*

Mr. Nigel Vinson has been appointed a member of the DEVELOPMENT COMMISSION in succession to the Marquess of Bute, who represented Scottish interests on the Commission and is resigning because most of its responsibilities in Scotland have now been transferred to the Scottish Development Agency. Mr. Vinson is chairman of Plastic Coatings and has been chairman of the Industrial Participation Association since 1971.

*

Mr. J. P. (Ian) Percy has been appointed partner in charge of auditing services for THORNTON BAKER AND CO., chartered accountants. Mr. Percy has for several years been a partner in the firm's Edinburgh office and now moves to London to take up his new appointment.

Cinema

Fonda in the deep freeze

by NIGEL ANDREWS

Julia (A) (Odeon, Haymarket)
The Choirboys (X) (ABC Shaftesbury Avenue)
Drole De Drame (A) (Academy One)

Any Jane Fonda film is an event: and so are most Vanessa Redgrave films. When both actresses appear together in one movie, it should call for a bumper celebration. The filmgoer's adrenalin flows and he looks forward, at least, to two power-house performances, and preferably also to a film strong enough to accommodate them. What he gets in *Julia* is one and a half power-house performances—Vanessa Redgrave's role is hardly more than a bright, brief cameo — and a film that positively creaks with worthy old-fashionedness.

Fred Zinneman, honoured craftsman of *High Noon* and *From Here to Eternity*, directed this adaptation of an autobiographical story by Lillian Hellman (taken from her book *Pentimento*) and he has lavished such redundant care on its old-style Hollywood production values (everything from studio streets to soft-focus close-ups) that the gusty modernity of Fonda and Redgrave's performances fight a losing battle with a film whose style and sensibility seem to have been deep-frozen since the 1950s.

Starved of good roles for women on the cinema screen, Fonda and Redgrave have, of course, taken to acting in the theatre of Real Life in recent years. The makers of *Julia* must have licked their lips at the idea of yoking together in one film the two most politically embattled actresses of our day. But if sparks were expected to fly, they resolutely do not. Alvin Sargent's screenplay has taken Miss Hellman's memoirs and simply fished out of them the idea for a good thriller story—the author's account of how, at the urging of her anti-fascist friend Julia, she smuggled money for Jewish refugees into Berlin in 1937—discarding or minimising all the quirky details of her life together with fellow-writer Dashiell Hammett and of her meteoric rise as a Broadway playwright. What we are left with is a long-drawn-out international thriller with a flimsy edging of biopic details.

Hellman's oddly intense and enduring friendship with her girlhood friend Julia, which motivates the plot, is illustrated, in many a sunlit flashback, but never really explained. One of the characters rudely hints that it was a lesbian relationship. We are supposed to be as shocked at the insinuation as Hellman-Fonda is, who knocks the offender to the ground in the chic restaurant where they are dining, but in default of any other explanation of the girls' strange devotion (and Hollywood would be the last to suggest that it was a kinship of ideas) what are we supposed to think? Vanessa Redgrave plays Julia as a wild-eyed Sappho of the barricades, all dancing hair and forthright jaw; and Jane Fonda's Hellman is so crisply, acidly, beautifully sane by comparison that one wonders what on earth they ever had in common to begin, let alone sustain, a lifelong friendship.

Zinneman's sturdy studio-professionalism has its redeeming merits—he manages to milk the heroine's Berlin mission for all the suspense it is worth, and a little more—but it also has its hackneyed demerits. This is 1978—must we still be welcomed to Paris with accordion music and shots of the Eiffel Tower? And why, since Lillian Hellman herself was no beauty and the lines on her face were half its character, must Jane Fonda be forever pictured in dreamy soft-focus? The film is overdressed and under-thought. The cinematic streamlining rubs off all the rough edges in Miss Hellman's prose and personality.

There are some films, however, that one must enjoy for their virtues and indulge or ignore for their defects. Jane Fonda is a great screen actress visibly wasting away for want of a great role. She made a great role out of the heroine of *Klute*, her best film to date, and she tries hard in *Julia*. But the raw material is just not there. Her rage and her comedy and her marvellous responsiveness (she is just as hypnotic to watch when listening or reacting as when talking or acting) are underemployed, and her bright individualism is too often smothered by the idiot Hollywood haberdashery (in one scene, a sort of *haute couture* pith helmet) that she is called upon to wear. But there are moments that still stay in the memory: the *petite* shrugs and head-shakes as she walks silently along a beach during the troubled gestation of a play or the mute, dawning horror when she hears that Julia has lost her life to the Nazis. *Julia* is a disappointment: but see it for its one redeeming grace, the performance of Miss Fonda.

*

Robert Aldrich is almost as venerable an old Hollywood retainer as Fred Zinneman. He directed his first film in 1953 and has since been busily turning out movies at the rate of one a year; attracting interest and respect, if not exactly affection, for his rough-and-tumble hymns to American machismo. *The Choirboys* is a sort of civvy-street version of *The Dirty Dozen*. The uniforms belong not to the army but to the Los Angeles police, who are here depicted at work and at play in a sequence of adventures—variously wild, knockabout, corrupt or sadistic—that inspire about as much confidence in the integrity of the American police force as *The Towering Inferno* did in the safety of tall buildings.

The film is, not to put too fine a point upon it, a mixture of the alarming and the revolting. And lagging not far behind was the response of the audience at the packed Press show, who hooted with laughter when a girl threw herself off a roof at the urging of the police officer who was supposed to be saving her; who guffawed when a stereotype pansy (with pink poodle) walked across the screen in a scene in a park (Gay Lib, please note); and who ooh-ed and ah-ed with dutiful enthusiasm during the switchback thrills and rampant melodrama of the climax, when shootings, beatings and whippings succeeded each other as if for the blood-and-guts Hollywood epic there were no to-morrow.

One has to admit, though, that the film has a ghastly fascination. Aldrich has always had a penchant for the explosively vulgar, and here he lets it all hang out, as it were. The film is almost too powerful to tut-tut at. One either enjoys it or one hastens in terror from the cinema. Based on a best-selling novel, it has clearly hacked the story about to suit its own penny-dreadful purposes (the novel's writer wanted his name removed from the credits) and the episodes are thrown together in such a haphazard way—now a joky episode with two prostitutes, now a shoot-out in a park—that they could be shuffled around in any order and still not change the impact of the film. But the film is strong on vitality—not a negligible virtue—and it has a host of excellent performances (from such as Charles Durning, Don Stroud and Paul Sorvino). The film's raw ingredients indeed are mostly unexceptionable—one only shudders at the over-heated brew in which they have been thrown together.

*

Drole de Drame opens at the Academy Cinema this week, in a revival dedicated to the memory of the great French screenwriter Jacques Prevert, who died last year. Prevert is best known for his partnership with director Marcel Carne during the '30s and '40s, of which this surreal comedy, set in Victorian London, is an early example. (Later collaborations included the famous Les Enfants Du Paradis). *Drole de Drame* recounts the adventures of an eminent English botanist (Michael Simon) whose incognito sideline is the writing of detective stories. His cousin, a sternly puritanical bishop (Louis Jouvet), comes to dine at the botanist's house, and complications ensue when he notes the absence of the latter's wife. (She is downstairs in the kitchen: the cook has handed in her notice and the mistress is substituting.) The plot thereafter flies off bizarrely in all directions—involving, among other characters, an itenerant murderer (Jean-Louis Barrault) and an amorous milkman (Jean-Pierre Aumont), and deploying at the climax a plethora of false beards and disguises.

Alas, one would like to like the film more than one does. But the absurdities are laid on too thickly, the wit too thinly, and I suspect that Monty Python has forever spoiled us for this kind of early experiment in nonsense humour. Prevert's genteel scrambling of logic lags far behind the fanatical unreason of John Cleese and company, and there is a dreadful feeling of Art about the film; as if its makers were concerned less with making us laugh than with introducing us to the improving delights of Dadaism. But there is some compensation at least in the performances: particularly in those of Michel Simon as the harassed, bumbling botanist and Francoise Rosay as his imperiously scatterbrained wife.

Vanessa Redgrave and Jane Fonda in 'Julia.'

Haymarket

Waters of the Moon

At its first appearance in 1951, this was the great identification play for the new poor of the post-war days. The Dalys, reduced to running their nice home as a boarding-house, and the once affluent folk reduced to staying there, stood for the way we all felt as we settled down to making our own beds and doing our own washing-up.

In 1978 the same feeling is abroad. The Dalys and old Colonel Selby and posh Mrs. Whyte and common Mrs. Ashworth would hardly consider us poor at all, with our colour TVs and our Avengers and our holidays in Torremolinos; but there was little doubt from last night's reception that N. C. Hunter's play had touched a chord in the audience. Of course, Ingrid Bergman, keeping her marvellous profile resolutely towards us as rich Helen Lancaster, touched a chord too, and so did Wendy Hiller, condescending from an unapproachable height as Mrs. Whyte until Helen's determined kindness cracked the ice. I should be surpried if *Waters of the Moon* did not draw a lot of people to the Haymarket to undergo its tender treatment.

It matters little that the tale we once thought Chekhovian turns out on renewed acquaintance to seem more like a serial story in a women's magazine, or that it has little in it of wit or profundity. When the Lancasters' Rolls skids into a ditch from the snowy road, adding Helen, her spoilt daughter Tonetta (Brigitte Kahn) and her tycoon husband Robert (Paul Hardwick) to the boarders at the Dalys, we are confronted with the eternal conflict between the people who are making the best of things and people who always have the best of things.

The Lancasters' kindness is constantly resented, though their offer of half a dozen Perrier-Jouet for the New Year's Eve party is accepted, so allowing repressed feelings to be revealed and giving Frances Cuka as Evelyn Daly a chance for a drunk scene. The final mood is one of resignation. The Lancasters drive off, phthisic Johnny (Paul Geoffrey) knows he will never have his trip with Tonetta to Switzerland, Mr. Winterhalter, the Austrian refugee with the perfect English accent (Derek Godfrey) will never visit Grosvenor Square. The old life must go on; but a little of the resentment against the rich has been ironed out.

Patrick Garland's smooth production and Alan Tagg's pretty, realistic sets suit the middlebrow tale admirably. I would say that most of the playing is adequate but little more, though this is partly due to the standard nature of the characters. Doris Hare, for example, can play a common old lady as easily as Charles Lloyd Pack can play a septuagenarian colonel, but there's no real individuality in either performance, apart from Mr. Pack's way of breaking into a run even across the drawing-room. Miss Hiller gives her mannerisms full play, offering up her words one by one like cards in a bridge hand.

I am a pushover for Miss Bergman whatever she does. This time I think she is perfect casting in the part, her radiance adding that element of exaggerated glamour which indicates how the Dalys and their guests must see her.

B. A. YOUNG

Leonard Burt

Wendy Hiller and Ingrid Bergman

St. John's, Smith Square

Music from Surrey

Why should the University of Surrey Players and Singers give a London concert? The short answer seems to be: because they were able, at a technical level which needed few apologies to offer an uncommonly rewarding one. The programme was ingeniously chosen, so as not to lean much on their string sections, which, of course, cannot hope to match professional bodies (though Surrey's proved to be more than competent), and it included works by a lecturer and a graduate student, as well as Messiaen, Webern, and Shostakovitch. Musical life in Surrey, where the composer Reginald Smith Brindle is their professor, must be exciting.

The only imported performer was the cellist Ross Pople, whose polished, sturdy reading of the first Shostakovitch Cello Concerto was carried securely by Nicholas Conran's handling of the orchestral part (and matched strongly by the girl who played first horn). Mr. Conran also led a crisp performance of the choir-and-brass *Psalmos* by Odaline de la Martinez, a young Cuban, who cultivates an open, honest American manner. Sebastian Forbes conducted all the other works, among them his own early *Chaconne*, tightly constructed and more than a little aggressive.

Mr. Forbes had prepared a performance of Webern's *Das Augenlicht*, a small jewel of a cantata, with loving care. If his forces essayed it with detectible caution, no mishaps detracted from its poised fragility, a vision balanced upon the threads of spun steel. Martin Hughes, another Surrey teacher, delivered the solo piano part of Messiaen's *Oiseaux Exotiques* with brilliant vividness, hectic and delicate by turns and always lucid: superb playing, echoed in the raucous avian skirlings and thrummings of winds and percussion. Exotic fowl for Surrey, but very welcome anywhere.

DAVID MURRAY

Oxford Playhouse Studio

The Four Seasons

Wesker's *The Four Seasons* is a two-hander, but still fits into the Playhouse Studio, a room in the new Burton Building, only by disregarding some of the more demanding stage-directions. Hugo Kondratiuk has directed it for the Experimental Theatre Club in front of a simple screen, a wall of the empty house (water and gas laid on) where Adam and Beatrice spend their squatting year of illegitimate love.

The play comes from Wesker's middle period. He had stopped recounting his life-story and moved into a world of romantic fantasy. *The Four Seasons* follows the emotions of two mature, married people who have left their respective spouses to start a new life together. *Their Very Own and Golden City* expands the notion in terms of an ideal metropolis for a socialist democracy.

Both plays deal only in imagination. Practical considerations, like the existence of other people or the requirements of the County Council, are not touched on. What happens to the magic city we never hear; but Adam and Beatrice find that the 12-month gestation of their passions brings only the rebirth of the weaknesses that broke up their former liaisons.

Simon Linnell revels in the sentimental poetry of Adam's lines, though sometimes he speaks them as if they were poetry and nothing else. The long "summer" speech on possessive love especially needs movement if it is not to become a sermon. Mr. Linnell is sylph-like in his youth and slenderness, and might do more to suggest that he has a wife and children at home. He even cooks his apfelstrudel as if he were composing a sonnet.

Helen Atkinson Wood, on the other hand, emphasises Beatrice's maturity. I suspect she dislikes Beatrice: she is much best in the scenes of shouting and bad temper.

B. A. YOUNG

Festival Hall

London Philharmonic

by DAVID MURRAY

Though Elgar filled most of last night's concert by the London Philharmonic under Bernard Haitink, the first work was Alexander Goehr's "Fugue on the notes of the Fourth Psalm." Some readers will have heard Goehr's lovely setting of that psalm for voices, viola and organ on Radio 3 a few nights ago; the Fugue, which circles around the same plainchant, is to serve as bridge to yet another piece—a concertante Romanza—stemming from the original material. Goehr's latest music is no longer serial, though it remains marked by that discipline, and it has undergone daring rhythmic simplification. In the Fugue, he manipulates his three subjects and the plainchant over an even tread for a continuous quarter-hour.

In principle, the varied and subtle tonal tensions ought to sustain the momentum of the music, as well as its elegiac tone. Haitink's performance the first with a full body of strings, offered little in the way of pointful emphases; the continuity of the work would not suffer from bolder signposting. The conductor allowed himself to show a much firmer hand in shaping Elgar's Symphony No. 2, though for him it too was a first performance. The heaving exuberance of the opening was strongly controlled, with the whooping horns kept firmly in line, and the chill shadows of the development loomed in sharp silhouettes.

After the leaner textures of the Mahler Ninth last week, the Edwardian plush of Elgar's scoring began to seem oppressive. Haitink secured a rich glow for it, but he will surely find ways of lightening it more often: the sumptuous mourning of the Larghetto needs to be followed by a Scherzo that whistles more viciously than it did in this account. The rollicking tune of the finale was restrained, and the reflective coda correspondingly sober—no retrospective heart-break here. A severely balanced reading, all in all, but not yet a very moving one.

Zara Nelsova was the soloist in Elgar's Cello Concerto. The aristocratic poise of her phrasing matched its autumnal grace beautifully. She did not deny the work its proper rhetoric, but she kept it in cool focus; in the playful and fantastical passages, she maintained enough reserve to make it clear that for her the heart of the music lies elsewhere, in its lyrical introspection. Haitink accompanied her with his customary faithful tact, and allowed her last serene declaration to count as summing up the spirit of the work.

Elizabeth Hall

George Malcolm

by NICHOLAS KENYON

Were the majority of Scarlatti's 550 keyboard sonatas *really* composed after he was 67? That was the "astounding hypothesis" of Ralph Kirkpatrick, which has been happily accepted until now, and is only just beginning to be questioned. The proposition (and Kirkpatrick's supposed chronology, which is based on the order in which the sonatas were copied out—no autographs survive) looks increasingly unlikely: especially after hearing such a wide-ranging selection of the sonatas played last night by George Malcolm.

The inexhaustible variety of Scarlatti's essentially simple binary forms was stressed by George Malcolm's survey, and by his performance; but stylistic differences rarely seemed to correspond with chronology. Instead, we were presented with a fascinating counterpoint betwen brilliance and lyricism. Malcolm dispatched the virtuosic, popular sonatas with that heavily orchestrated skill which he has cultivated for so long—as subtly musical as ever, though not always as securely in control of the notes as of the rhythm (which never falters).

But in the quieter sonatas an unfamiliar Scarlatti—and Malcolm—was presented: the rare and beautiful aria K144, the broad, yearning sequences of the B minor sonata K87 (surely this is a late work!), and a group of pieces in the unusual keys of C sharp and F sharp were all played with a simplicity of regsitration which enabled them to speak directly and powerfully, with clear part-writing and beautifully controlled phrasing. More of this, please.

Wigmore Hall

Gabrieli and Curzon

by DOMINIC GILL

The meeting of two such stars as the Gabrieli String Quartet and Clifford Curzon in a programme of Schubert at the Wigmore Hall on Wednesday night could have been a sublime conjunction. As things turned out, we were treated to the most acceptable kind of disappointment: a concert which might have been sublime, but which was instead just very good indeed.

The Gabrieli began the evening alone with Schubert's Death and the Maiden quartet D810. In the Wigmore's marvellously clear and equal—but searching, not flattering—acoustic, they warmed slowly: the balance of sound at the start was brittle, the ensemble stiff. But well before the end of the second movement, joints and muscles had relaxed. The scherzo and finale were wound up with a fine, smooth spring, every strand neatly knit: not a luminous performance, but a strong and bright one, in larger span as well as in contrapuntal detail clear and well-made.

It seemed an odd choice of moment, straight after the last chords of the D minor quartet and just before the interval to introduce Clifford Curzon—who arrived on stage, like some mysterious agent of Radio 3 Continuity, to fill a gap before the time-signal with two *Moments musicaux* and the A flat Impromptu. He seemed discomfited by the role: the phrasing of both the A flat and C sharp minor *Moments musicaux* was nervous and mannered, the articulation of the Impromptu awkward. Perhaps not surprisingly: Curzon, like the mature Rubinstein, is an artist who warms slowly to his performances, tests the air, feels his way gradually into the music: as often as not the playing can take the whole of a concerto first movement to settle. And maybe we could take his brief appearance as just that: a preliminary, private study for the Trout Quintet—in which he was joined by the Gabrieli's trio and the bass of Adrian Beers, all five now in quick, bright and attentive form, to give a happy performance, which never took off into the highest, most rarefied Schubertian regions, but which resounded nonetheless with impressive high spirits and with joyful conviction.

'Evita' to open in June

Evita, the musical by Tim Rice and Andrew Lloyd Webber based on the life of Eva Peron, will open on June 21 at the London Casino which is being converted into a full-time theatre and reverting to its original name, Prince Edward Theatre. It will be presented by Robert Stigwood in association with David Land.

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Repaying the Fund

YESTERDAY'S announcement that Britain is to repay in advance part of the $4.9bn. which it owes to the International Monetary Fund has been expected for some time. The decision arises naturally out of the fact that the Fund needs further resources for lending while Britain's reserves of foreign exchange rose last year from $4.1bn. to $20.6bn.: it was decided last October not to make a further drawing, beyond the $1.9bn. already taken, on the Fund's standby credit of $3.9bn. The amount to be repaid now is about $1bn. and will consist mainly of the $850m. first credit tranche made available in the spring of 1976.

Straightforward as this operation may be, its purpose may be misunderstood in one of two opposed senses. What needs to be pointed out, therefore, is not so much what it is as what it is not. In the first place, it does not represent a decisive victory for one faction against another in the debate about how the benefit of North Sea oil can be used to the country's best economic advantage. There is such a debate, and some of the possible alternatives—like increased investment abroad and debt repayment—tend to be unpopular with the trade unions and the left wing of the Labour Party. But the IMF repayment is no rebuff to them.

Concentration

Although some commentators will tend to attach greater importance to debt repayment than others, the need to repay something is probably unavoidable. There is $16bn. of public sector foreign debt (much of it incurred on terms which now look unfavourable) falling due for maturity in the years 1978-82. Some of it can probably be rolled over on more favourable terms sooner or later; the rest will have to be repaid out of the official reserve or out of the payments surpluses which the North Sea should provide for several years to come. The precise manner in which the job is tackled depends largely on technical considerations.

One of these is that a sizeable part of our present swollen reserves consist of miscellaneous capital inflows of an essentially short-term character, flows which are likely to be reversed if the economic situation takes a turn for the worse. It would be rash to repay medium-term credits out of short-term deposits. Another consideration is that it may be convenient to even out the concentration of maturing debt and sometimes, especially when the terms are unfavourable, this may make a case for premature repayment. This course has already been chosen in the case of three nationalised industries as well as the Fund and may well be repeated. Even as it is, the repayments so far scheduled for this year are not much more than half those scheduled for 1981.

Commitment

The second and opposite possible misunderstanding of yesterday's announcement is that it is intended to free the Government from its commitments to the Fund and leave the way open for an electioneering Budget. There seems likely, in fact, to be room for considerable tax reductions in the spring Budget even within the limits set by the undertakings given to the Fund. But the repayment of the first credit tranche is irrelevant to this issue.

The Government becomes free of its commitments when and if it renounces the standby credit, which it chose to keep on in October even though deciding to make no further immediate use of it. The next occasion for reconsidering this choice would normally come in May, after the Budget. And, though the Government may then decide to renounce the standby, such a decision could be tailored more to the convenience of the Fund than to its own. The strong support which Fund officials have given the U.K. since the Government agreed to its recipe for financial recovery has been a major factor in bringing that recovery about.

Greece's EEC frustrations

JOINING THE EEC, as Britain learned by bitter experience, is not easy. Now it is Greece's turn to undergo the frustrations and uncertainties of long drawn out entry negotiations in Brussels, and Mr. Constantine Karamanlis, the Prime Minister, has decided that the time has come to do something about it. During his tour of European capitals this week he is not seeking to achieve any dramatic negotiating breakthrough. He is, however, asking for a general undertaking from EEC leaders that they will press ahead with the talks with a greater degree of urgency than hitherto. On his first stop, in London, he seems to have successfully extracted such an assurance from Mr. Callaghan.

Tenth member

Mr. Karamanlis's impatience is in many ways understandable. It is now two and a half years since his Government applied to become the Community's tenth member, and 18 months since formal negotiations started in Brussels. And yet little of substance has so far been settled. All the main elements of the Greek negotiating position are now on the table, but the response from the Community has been minimal. Following the success of the anti-EEC Panhellenic Socialist Movement led by Mr. Andreas Papandreou in November's elections, Mr. Karamanlis believes that the need for progress in Brussels has grown even more urgent. He wants the negotiations completed by this summer, leaving the autumn for drafting and next year for ratification, so that Greece can take its place as a full member on January 1, 1980.

Such a timetable is almost certainly unrealistic. Most of the Nine have had serious second thoughts since they first fell over each other's heels in the rush to welcome Greece into the fold in the aftermath of the restoration of democracy in Athens. It is not just that Greek entry, followed by that of Portugal and Spain, threatens to transform the entire nature of the Community and its institutions. There are hard economic and political interests at stake. Germany does not want the Greek entry negotiations to set a precedent for the opening of its frontiers to a new influx of Mediterranean migrant workers; France and Italy feel the same about agricultural products like wine and olive oil. There can be little prospect of serious progress in the Greek negotiations before the French mid-March elections are out of the way, and a change of regime in Paris could complicate matters still further. Italy, meanwhile, has its own Government crisis to attend to.

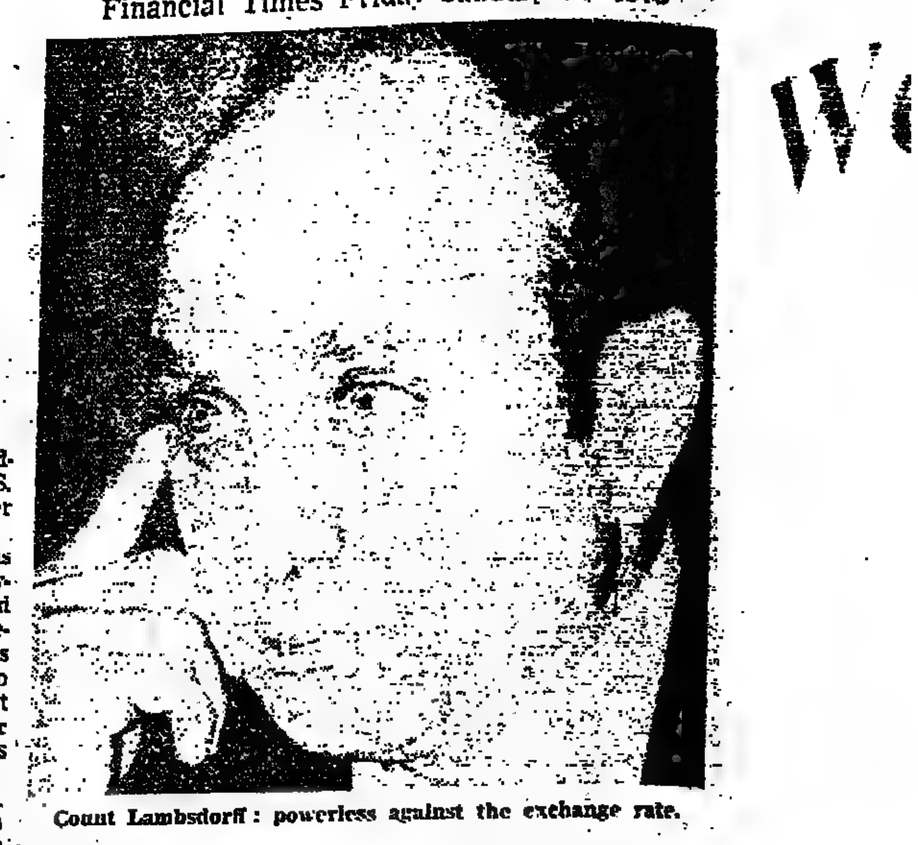
Greek officials have sometimes expressed suspicions that the Community is going slow with the aim of merging the Greek talks into a single joint negotiation with Spain and Portugal later on—a proposition that Athens has always strongly resisted. This is unlikely, given that most of the Nine view the entry of the other two countries with even less enthusiasm than they do that of Greece. If anything, the intention is likely to be quite the reverse—to push the Spanish and Portuguese negotiations still further into the future. In any case, while Mr. Karamanlis is pressing for immediate entry, Spain and Portugal are in no such haste.

Responsibilities

The Nine have every right to refuse to be hustled into admitting new members before the implications have been fully examined. They have, however, now had ample time in which to consider the Greek request, and it is not the fault of Athens if they have not used that time to best advantage. The entry negotiations have advanced too far for the Community to default on its initial political commitment to the Greeks. Its responsibilities to Mr. Karamanlis are clear. That being so, there is no point in dragging out the talks any longer than is really necessary. If the Nine have doubts about further enlargement after Greek entry, they should start facing them now, rather than waiting until they are half way through the entry negotiations with Spain and Portugal.

The German Economy ● By ADRIAN DICKS in Bonn

A bit of trouble in paradise



Count Lambsdorff: powerless against the exchange rate.

WEST GERMANY will feel entitled to its due share of the credit if there is any acceleration in the measured pace of the industrialised countries' economic expansion this year. If the recovery falters or comes to a halt, West Germany will not feel it is to blame. For Bonn believes it has done all it can, and should not be expected to deliver more. With an economy dependent for over a quarter of its activity on exports, West Germany is as much a passenger in the train as in the driving seat of the locomotive.

That, in short, is the message contained in the West German Government's annual economic report, a document that this year is less concerned with trying to look into the crystal ball than with attempting to prove to both foreign and domestic opinion that the room for manoeuvre has become alarmingly small.

For the domestic audience that means another year of trying to secure wage restraint. As the season gets under way for settlements in major industries, the task is looking unusually difficult, for the "concerted action" conference of representatives of labour, employers, and Government—generally seen as the symbol of the West German Social Contract—has lapsed and may prove hard to replace. In addition a wave of industrial unrest, of which the dock strike is the most serious manifestation so far, ought to remind the world that even in West Germany, freedom from strife is never to be taken for granted.

For Bonn's friends and partners, the burden of the annual report is that any fresh criticisms that the Federal Republic is not "doing enough" for the world economy—such as last week's appeal from Mr. Denis Healey, the British Chancellor of the Exchequer—are definitely out of place.

The central fact of current West German thinking about the economy is the sharp reduction of growth expected for 1978. As recently as November, Herr Hans Apel, the Finance Minister, was still maintaining the feasibility of the 4.5 per cent. objective which the package of tax cuts and other stimulatory measures introduced in September were intended to support. Now the message from the Economics Ministry's experts is that no more than 3.5 per cent. GNP growth should be expected this year, and that even that must be regarded as an ambitious target. It would imply an actual increase of output from October-December, 1977, to the last quarter of 1978 of 4.5 to 5 per cent.

The West Germans were surprised by the suddenness of last year's slow-down, when real growth of only 2.4 per cent. was achieved. This compared with forecasts in the 1977 economic report, upheld by Herr Schmidt at the London economic summit last May, of growth of 4.5-5 per cent. last year.

There is some evidence—at least in the view of many top officials in Bonn—that the position altered for the better during the final quarter of last year. New orders for capital goods and fixed plant from West German business were markedly higher than in the summer. The chronically under-employed building industry had begun to feel the benefits of the DM16bn. (about £3.9bn.) medium term investment programme launched last March. There was a slight increase of private demand, though it may have been due both to seasonal factors and to a wish among consumers to beat the rise in standard value added tax rates to 12 per cent. on January 1. Finally there is evidence from the banking sector, as yet unconfirmed by the statistics, that bank borrowing has been sharply on the increase.

The authorities have been working for the better part of a year to set the sails in such a way that any breath of wind can be captured. On the monetary side, the Bundesbank has not only injected liquidity and cut interest rates to their lowest levels since the mid-1960s, but has also avoided rigidity in the use of its "experimental" money supply guidelines. For its part, the Government has taken the following steps:

1. The DM16bn. medium-term investment programme, which is estimated to have yielded orders worth DM4.5bn. last year and is expected to provide DM6.5bn. more in 1978.

2. The package of tax cuts presented last September and put into force on January 1, which should yield a stimulus worth DM11.5bn. this year.

3. A ten per cent. increase of the federal budget, accompanied by fresh exhortations to the regional and local authorities to raise their own spending. This should help to carry the total public sector deficit to some DM52bn., or about four per cent. of GNP. This compares, according to the Germans, with a U.S. deficit equal to only one per cent. of expected GNP in 1978.

In addition, Bonn still has hopes of enacting an energy-saving programme which could provide further stimulus by requiring capital expenditure, as well as a series of measures to make it easier to start businesses, and to assist smaller and medium-sized companies already established.

The projection of 3.5 per cent. growth is, of course, based on the assumption that all of this will have some effect. There are those, such as the German Economic Research Institute (DIW) in Berlin, who take a more pessimistic view. Even if the Government's hopes are fulfilled, however, it is promising no significant reduction of unemployment this year from the 4.5 per cent. average during both 1976 and 1977. More to the point in terms of West German domestic political considerations, it is warning the unions once again that there must be wage restraint this year, and some assurance of moderation for the future, if unemployment is not to rise further.

As a result, the Economics Ministry experts have now secured the backing of the Social Democratic-Free Democratic Coalition cabinet for their view that wages ought not to rise by more than 5.5 per cent. this year, and that profits should be given scope to grow somewhat faster—by 9-11 per cent.—in order to encourage business to invest.

In practice, as senior officials in Bonn privately concede, there may be no harm in a certain number of pay deals being reached that overstep this figure. (It should be stressed that the German practice is not to present the two sides of industry with a target and to tell them to keep to it. Instead, the Government prefers to give its opinion on what the economy can afford, and to leave it to the good sense and conscience of the wage negotiators to bear this in mind.)

Yet for a start, the union side in several major industries has asked for considerably more than 5.5 per cent. The dock and port workers went on strike on Wednesday for 9 per cent., having rejected an arbitrator's award of 5.3 per cent. IG-Metall, largest and most powerful of the West German unions, is demanding 8 per cent. for its members in most parts of the country in the engineering industry, and has not even shown much willingness to listen to the piteous cries of the hard-pressed steel companies.

There is always a good deal of theatre—some might say hamming—in the West German wage round, and outsiders often point out both that the range of figures within which argument takes place is narrow, and also that historically seen, good sense has usually prevailed.

Many Germans would agree. Yet none of that makes the process less important, the arguments on either side less deeply felt, or the reaching of agreement less difficult. This year, the climate is worse than it has been for a decade.

The union side withdrew from the Concerted Action meetings last summer to protest against the lawsuit brought in June by several big companies and by the employers' federation challenging the constitutional validity of the new workers' participation (Mitbestimmung) act, which comes into full effect on July 1 next. The lawsuit strikes at the root of a hard-won political compromise between the unions and the SPD-FDP Government, and has aroused perfectly genuine anger. None the less, the impression is also widespread that the Deutsche Gewerkschaftsbund (DGB), the trade union federation, was glad of an excuse to leave the Concerted Action forum.

Started by Professor Karl Schiller when he was Economics Minister, the conferences had become increasingly large and unwieldy. There was little opportunity for real debate, and the DGB's mild-mannered president, Herr Heinz Oskar Vetter, has complained that the meetings had turned into an occasion for everyone else to preach restraint to the unions while declining to listen to their case. The chances are very slender that Herr Vetter, let alone the heads of most of the individual unions, will return to the Concerted Action framework.

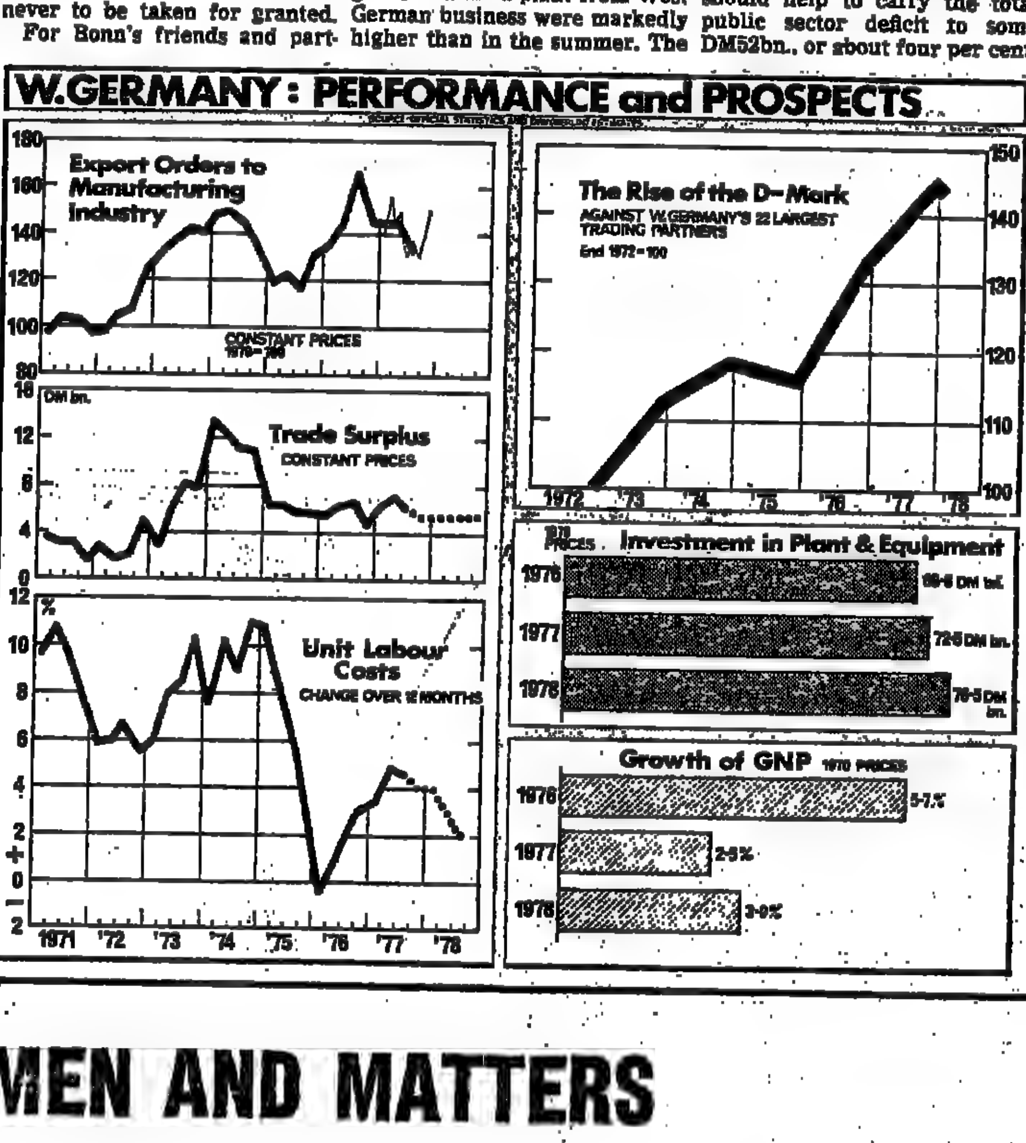
For some years, the unions' presence there has embarrassed their leaders, not only with the rank and file, but especially with the younger, better-educated generation of permanent union officials who are also responsible for much of the militancy evident in the wage claims and rhetoric of this year's pay round.

Yet the unions at all levels are well aware of the fact that West German workers, thanks in large part to the 43 per cent. rise of the D-Mark against the currencies of the country's 22 leading trade partners since 1972, have become the most expensive in the world. They are aware, too, of the threat this presents to their own members' jobs, as West German companies look increasingly towards rationalisation when they undertake new investment at home, and as they look more often towards investment abroad to secure their markets.

It would be profoundly wrong to assume that the end of Concerted Action means the end of the social censensus in West Germany. It may not be easy to find a new forum in which to bring union leaders and employers together, so that a period of separate meetings with Herr Schmidt and with the Economics Minister, Count Otto Lambsdorff, may now be the only available substitute. Yet everything points to the unions' profound concern to protect their members' jobs. They are not likely, even given what some senior officials expect to be a turbulent spring, to risk their prosperity. It is a fact of West German society that a fear of inflation is common to all groups and classes.

Wages will be the critical domestic factor in 1978 for the German economy. Internationally it is the exchange rate that will cause the most problems. Even if wages were to be frozen, as the Government's independent board of economic advisers rather unrealistically suggested they should be, a further steep rise in the D-Mark, coming after last autumn's, might in the view of many Germans prove to be the last straw. Such prophecies of doom have been made before, of course, only to be proved wrong by the relative price inelasticity of many key German export items, and the success of German companies in finding new markets. What policy-makers in Bonn fear more than a loss of orders is a further erosion of export profit margins to the point where investment confidence will suffer still more than it is already said to have done from wage and cost pressures at home.

West Germany can limp along on home demand, and to judge by the boom in some sectors such as the car industry in the past two years, can even prosper. Yet given the importance of exports to the economy, pace of growth will depend heavily on the exchange rate of the D-Mark. That is something which Bonn feels powerless to control.



MEN AND MATTERS

Exporting can be fun

A reader has just sent me a document which reveals the drive of those involved in what we are all told is the vital task of boosting British exports. It comes from the Department of Trade's weekly magazine and contains the programme of last Tuesday's special one-day conference in Birmingham to find a way of following up what the magazine described as the successful 19-month run of the export year which officially ended on December 31.

The fact that the year for export promotion purposes consists of 19 months is in itself an eye-opener to me. But the most striking feature of the conference was the frantic pace of it all.

It started at 9.15 with a full hour for registration and coffee before settling down at 10.15 to allow the Duke of Kent to declare the conference open. Two hours later management and shop floor delegates from all over the country moved to the bar for 45 minutes of pre-lunch drinks followed at 13.00 hours by lunch until 14.30 when the conference re-started and continued for two, whole interminable hours before exhausted delegates broke up for tea at 16.30. No wonder export years are 19 months long—at that pace they have to be.

Take your pick

Just to prove that I am second to none in my admiration for exporters let me quote a fine example of British ingenuity. A small British company called Videomaster which, inter alia, makes plug-in television tennis and soccer games, has just won a £1.5m. order from the U.S. to supply its unique range of electronic doorbells.

Videomaster has banished the Brrring, ding-dong and bzzz from the doorbell world and offers in its place a choice of 24 tunes ranging from Twinkle, Twinkle Little Star to the Red Flag, the Marseillaise and Deutschland uber Alles — together with a special control knob allowing all 24 to be played in any time from pizzicato to molto legato. The world is now their oyster.

Smelter shuffle

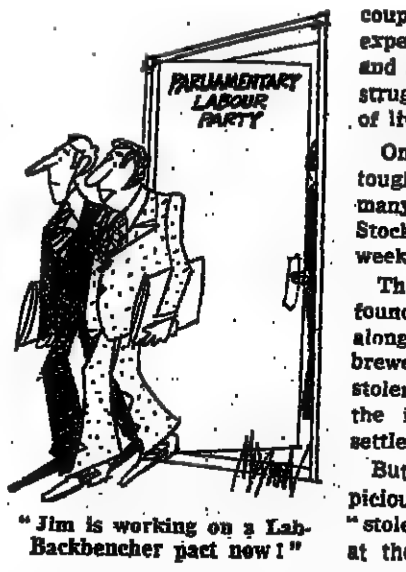
Rivalry between Bahrain and Dubai is one of the facts of life down in the Gulf. Bahrainis consider themselves the pioneers of industrialisation while Dubai follows with something bigger and better.

Bahrain, for example was first off the ground with a big 120,000 ton aluminium smelter and picked Ian Livingstone as general manager back in 1972 to build up what has proved to be a highly successful venture. Much to their chagrin Livingstone has just resigned from Aluminium Bahrain, having been chosen out of over 50 applicants for the post of chief executive for the new $620m. aluminium complex being built for Dubai Aluminium.

All is not lost however as one of Livingstone's achievements is that of training Bahrainis to run the key jobs in the smelter enterprise.

The Dubai smelter is being built on the basis of a projected sharp rise in aluminium consumption in the 1980's—largely because of the expected increase in demand from the U.S. motor industry to satisfy lower fuel consumption requirements.

The Dubai smelter will also produce 25m. gallons of water daily and represents what is claimed to be the first industrial project which will enable 100 per cent. utilisation of local oil and gas. Instead of being wastefully flared the gas will be first dried and then used to fuel the 430 MW generating station and waste heat from the smelter will then be used to distill sea water.



"Jim is working on a Lab-Backbencher pact now!"

Swedish farewell

For years Sweden basked in its enviable reputation as the most prosperous social democracy in the world where high standards of living went hand in hand with high taxes but superb social services of all kinds. Nothing lasts for ever, however, and over the past couple of years Sweden too has experienced increasing political and social ferment and a tough struggle to preserve standards of living.

One indication of just how tough that struggle has been for many people emerged from a Stockholm canal earlier this week.

The city police have just found 13 cars sunk in the canal alongside an abandoned brewery. All had been reported stolen over the past year and the insurance companies had settled all claims on them.

But the police are highly suspicious about the way so many "stolen" cars have ended up at the same spot and suspect organised fraud. They believe that owners, unable to keep up their hire purchase payments, may have been helped to drive their cars into the canal. Police divers are now investigating other likely underwater caches and believe that over 100 cars may have disappeared in the same way.

All change?

Belize might be to many people in these islands "a far away place about which we know little." But before the Foreign Office gives bits of it away to Guatemala and other friendly neighbours just reflect on the names of some of the hamlets and villages which currently grace our Latin American colony. Double Head Cabbage, Lucky Strike, Washing Tree, Teakettle Camp, Mountain Cow, Butter Cay and Dancing Pool for example. Why, they sound more British than Neasden.

Observer

We can't go on meeting like this . . .

THE INSTITUTE for Constitutional Studies set up the Committee chaired by Professor X with a brief to take a fundamental look at the U.K. constitutional system. For too long, we felt, constitutional reforms have been approached *ad hoc*, without regard to their effects on the evolution of the system as a whole. As a result parts of our system seem to lack a rational base. Conflicting objectives are pursued at random; and even particular objectives are pursued in contradictory ways."

So begins the report by the independent commission on constitutional reform which it was necessary to set up when it became clear that Parliament was incapable of reforming itself. The report took two years to complete. The composition of the commission was designed to combine the experience of academics with that of practitioners in different fields and to embrace different political viewpoints. Funding came from, among others, the Leverhulme Trust and the Wolfson Foundation to the tune of £95,000, which was regarded as cheap at the price.

Precedent

The above is, of course, nonsense. There is no such commission, or at least not yet. But there is a precedent. My opening paragraph is taken, with only slight amendments, from the foreword to the report of the committee chaired by Professor J. E. Meade on the structure and reform of direct taxation and set up by the Institute for Fiscal Studies.

The origins of that committee are interesting. It was established after calls for a new Royal Commission on taxation had been turned down. The aim was to go back to first principles, look at the system as a whole and produce a framework for reform. There was a certain amount of co-operation with government, though with the civil service rather than the political or ministerial end. The aim now, after publication this week, is to keep in being a smaller tax reform committee which will take account of reactions to the report, answer criticisms and continue more detailed work. The original committee will believe that it has succeeded if the report manages to stimulate debate to the point where some action is taken, although not necessarily directly along the lines proposed. There is no claim to a monopoly of wisdom, but there was—and is—a belief that in the face of government inertia, somebody had to show what might be done.

But, in the case of constitutional or parliamentary reform, has it yet come to that? The answer seems to lie somewhere between "yes" and "not quite." But even if one prefers the latter response, it is possible that the situation will get worse. For it can hardly have escaped general notice that practically every item that nowadays makes the political headlines, or even the political news, has something to do with constitutional, or institutional, reform. And, equally, it does not seem likely that Parliament is capable of coming up with considered or comprehensive solutions.

Take, for example, the case of the Select Committee on Nationalised Industries' reports on the British Steel Corporation: the argument is ostensibly about the extent of the Committee's right to information. In fact, it goes much further. Even if the Committee had all the information it required, how far would it be able to interpret it? How far would it need to employ all sorts of specialists to help it to come to its conclusions, and how would it pay them? Again, how could the demands of specialised committee work be reconciled in terms of time with the more general duties of an MP?

There is no evidence available at present that Parliament even wishes to answer those questions. Indeed there is not even agreement that a problem exists. Instead there is an argument about how far all-party committees should have any powers at all. It is held by some—Mr. Eric Varley and Mr. Michael Foot, for instance—that such bodies deny the very stuff of politics: namely, a debate between adversaries across the floor of the House of Commons. It is not a subject on which one could automatically rely on Parliament to come to a very sensible conclusion, despite the existence of another Select Committee on parliamentary procedure.

But the powers of Select Committees are one example only. Almost all the business now before the House involves constitutional change in one way or another, whether it is the Scotland and Wales Bills or the Bill for direct elections to the European Assembly. The extent of the change goes beyond what was contained in the original Bills, though that itself was large enough. Ways have to be found of getting them through. The guillotine has become a way of life. Same clauses go through without debate; others are amended almost at random. No one is quite sure what the House of Lords will do about the Bills. It would have a proper case for subjecting them to the most rigid scrutiny, but will it dare? Besides, the House of Lords itself is up for auction. The Labour Party may be about to produce a manifesto promising abolition; the Tories might (just) come down in favour of some form of directly elected second chamber.

It is possible to argue that all this means that change is taking place. But it would be very difficult to argue that it is doing so in any systematic fashion. Even if one leaves aside the fact that the great majority of MPs are against the devolution Bills on their merits, and accepts that some of them are supporting them for reasons that have nothing to do with devolution, it is impossible to say what sort of mish-mash will emerge at the end of the day. It is a situation which is out of control.

No one knows either which further devices the Government will be obliged to introduce, or bow to, if it is to press on with the Bills. The referendum on British membership of the European Community was said, at the time, to be a special case (though in fact the need for it arose solely from conflicts within the Labour Party). Then, however, there was the promise of further referenda on the Scottish and Welsh Assemblies. Now it seems that there are to be two new rules: the Scottish Assembly will be created only if 40 per cent. of the Scottish electorate approves of the idea, and there will be a special provision for Orkney and Shetland.

It is not only the Labour Party which innovates in this random way. It was Mrs. Thatcher who said one day on television that a refendum could be used again to put a single issue to the people. She could well be held to that if she ever has to do a deal with Mr. David Steel and the Liberals after the election, although not on the subject she originally intended. Mr. Steel has now said publicly that the price could be a referendum on proportional representation.

One can see that that could become an attractive idea to politicians. It has become part of the conventional wisdom that the next Parliament will again very likely be hung, and that the demands for PR will therefore grow. But how would Parliament implement it? There is the established device of a Speaker's Conference, yet it does have drawbacks. It takes time. It is intended to still public discussion while it deliberates. It creates at least the suspicion that its membership is loaded. Why not, instead, ignore the conventional procedure and appeal direct to the people? In other words, there would be simply one more innovation of improvisation

That could happen, and if it is the only way of introducing PR, *perhaps it would be worth* it. But one cannot rely on it. And at what stage, one wonders, will people conclude that such innovation is giving *ad hocery* a bad name? Will they demand, one day, rather like the Meade Committee, that the system should be looked at as a whole and given some sort of rational base? For instance, would it be too much to ask that reform or abolition of (say) the House of Lords should be treated not as an issue on its own, but as part of the wider question of the workings of the entire constitution?

Enough money

There is no sign whatsoever of such demands coming from the present Parliament, nor probably from the next. And that is the problem. According to our unwritten constitution, reform must come from Parliament. Parliament needs reform, but Parliament will not reform itself. Indeed its Members will not even vote themselves enough money, or adequate facilities to do their job.

But if Parliament will not look at the system as a whole, and cannot even see, for example, that direct elections to the European Assembly might usefully have been linked to the reform of the House of Lords, who will? There is, of course, the Press, and it has been interesting to hear suggestions from within the media that editors should get together, agree on the big issues of the next few years, and plug them until such time as government comes up with satisfactory solutions. But do we really want reform by the Press?

Single issues

There are also the universities, the specialised institutes and the pressure groups. Perhaps a British or a European Brookings, such as has recently been canvassed, would help in the end, however, they tend to concentrate on single issues. London is littered with committees calling for reform on this or that constitutional matter. But it seems to me that (say) the National Committee for Electoral Reform is quite as irresponsible as the political system it attacks because it confines its campaign to a single front. It demands PR, but assumes that that would be enough and fails to look at the possible consequences.

What one would like to see would be the reformists getting together, and indeed it is surprising that they have not formed some sort of umbrella organisation. They might then tell us *not only which reforms are desirable, but how they might relate to each other and how they might be introduced.* I leave the thought that the equivalent of a Meade Committee on the constitution might be the best way forward. It would not cost very much, it could bring in politicians, ex-politicians and outsiders and, given the right chairman, it could certainly concentrate the mind.

Malcolm Rutherford

Letters to the Editor

Synthetic rubber

From Mr. R. Holland

Sir,—I refer to David Warburton's letter (January 24) where he argues for subsidised North Sea chemical feedstock to supply a new synthetic rubber plant.

The issue is not simply whether the Government is prepared to forgo some royalties and petroleum revenue tax; it concerns fundamental economic principles, and our international relations with our trading partners in Europe and in the Third World.

If the plant is built and subject to subsidy there will be a positive employment effect in the U.K., and a negative one either in Europe or the Far East. We would in effect be exporting unemployment which, in an age of international trade unions, is not something that should be advocated by an officer of a trade union in this country.

Furthermore, the subsidised supply of feedstock could alternatively be sold at market price in the U.K. to another organisation that itself would be providing employment without contravening the competition policy of the EEC, or it could be exported again at market prices providing revenue that could be employed far more effectively in current job creation schemes or retraining programmes.

The route from butane to polyisoprene rubber is relatively inefficient as both dehydrogenisation and methylation processing stages are required. The production of 1 tonne of polyisoprene needs an input of between 4-5 tonnes of butane. If the plant proposed to produce 300,000 tonnes per year requires an input of 1.2m.-1.5m. tonnes of butane, the subsidy required to operate "competitively" lies in the range of $24m.-$60m. per year (£12.3m.-£30.8m.).

In sterling terms, the taxpayer would have to pay (annually) through the Government's sacrifice of revenue, the equivalent of between £8,200-£20,500 to maintain each job. If anyone can justify such an extraordinary uneconomic venture in your columns it can only be that they have in mind the interests of only a small section of the community rather than the nation as a whole.

In addition, as in the refinery industry, there is a growing possibility of a continuing and growing surplus capacity in the petro-chemical industry, particularly from plant currently under construction outside the OECD nations especially in the member countries of the Organisation of Petroleum Exporting Countries.

There is no guarantee that the U.K. plant could operate at full capacity even if it were to be subsidised. The losses would only be exacerbated if natural rubber producers were to embark on a price-cutting exercise themselves. Any attempt at committing the nation to such an enormous long-term subsidy should be firmly resisted.

Richard Holland.
30, Crespigny Road, Hendon, N.W.4.

Change in South Africa

From the Director of Information, South African Embassy.

Sir,—Your correspondent, Mr. Joe Rogaly, attempts to explain "Why South Africa is now a bad risk" in your edition of January 24.

As this is a matter of considerable mutual interest, it is regretted that he resorts to base political special pleading and the vaguest of generalisations to support his negative thesis. It is simply not good enough to blandly state "that South Africa has become a poor political risk should be plain to all," and that "the outlook over the next few years must surely be for an increase in civil disturbances, an increment in the number of acts of violence against the State and the continuance of the policy of repression." These primary assumptions your correspondent so blithely takes for granted, are at the very least most arguable.

It is, I presume, common cause that the Christian Concern for Southern Africa is not exactly well-disposed towards South Africa and for Mr. Rogaly to summarily accept their premises and the resultant arguments without appropriate scrutiny, must necessarily affect the credibility of your reporting on South Africa.

The other side of the coin is presented by the major article by Mr. Aubrey Dickman, Anglo-American's economic consultant, in the recent edition of "Optima."

Mr. Dickman states: "The question for foreign investors is whether to help tip the scales in favour of expansion, thus promoting the efforts of those who are endeavouring to extend the benefits of the free market economy to all population groups and, by so doing, ensuring the profitability and security of their own investments."

According to Mr. Dickman, black real (adjusted for inflation) per capita wages grew in the 1969-76 period by 6 per cent. a year compared to 1 per cent. growth for whites. In current prices—not adjusted for inflation—black wages (excluding mining and agriculture) grew from R573 in 1970 to R1,345 in 1976, while coloured and Asian per capita incomes grew from R957 to R2,008; white wages rose from R3,178 to R5,725. Using after tax figures, which he describes as more meaningful, Mr. Dickman says that the ratio of white to Asian and coloured wages dropped from 3.1-to-1 in 1970 to 2.7-to-1 in 1976. In terms of African wages the ratio fell from 5.2-to-1 to 3.9-to-1.

He adds that, according to research by Dr. Jill Nattrass, of the University of Natal, the share of blacks (Africans, Asians and coloureds) in the net national income at current prices increased from 26 per cent. in 1960 to 32 per cent. in 1975. African household incomes (reflecting perhaps greater communal habits) are well above the various minimums determined by university institutes. The current recession as a result of inflationary overspending (in part on the improvement of black living standards) has meant "severe" costs to blacks as they adjusted to the sacrifice of growth.

Growth, Mr. Dickman clearly believes, is the key to both our social and economic problems, but he warns that growth will have to come before further redistribution of income from white to black is possible.

Mr. Dickman concludes that if, "in currently fashionable parlance . . . growth with redistribution is to be achieved, growth will have to come first before further redistribution is feasible *and this emphasises once again* the critical role of foreign capital."

In summary Mr. Dickman shares the view that the economy has immense potential. He sees the black market as an area of vast opportunity and feels that foreign investment will not only be well rewarded here but, through the impetus it creates, will be a constructive force for change.

The positive initiatives by the South African Government to accommodate the legitimate grievances and aspirations of the South African peoples, must be included in any sensible discussion on the future of South Africa.

For your correspondent to ignore these very important considerations is to ignore the total reality of South Africa and must make nonsense of his very suspect pamphleteering.

Chris van der Walt.
Trafalgar Square, W.C.2.

New base date for gains tax

From Mr. S. Penwill.

Sir,—Mr. Jack Bennett advocates (January 20) the adoption of a new "base date" for capital gains tax purposes.

The original date, April 6, 1965, coincided with the date upon which the existing tax was inflicted and relates to the disposal of assets in general, subject to optional elections. The adoption of another date for Stock Exchange investments might not please owners of other assets and any alternative date must surely be universal.

As a manager of investments, I find that I can still use pre-6/4/65 costs in some cases to advantage, but would probably not carp at the adoption of the peak index (but which index?) date on September 14 last, though I doubt whether the Chancellor of the Exchequer would agree.

As it is, I spend a fair amount of my time which could be put to better use, in calculating *gains on the disposal of shares;* as time goes on and companies get taken over, have rights issues or Preference scrip issues, etc., these calculations become more time consuming rather than less.

If the inspector of taxes checks them again it also adds to the cost of collection.

I fully support that suggestion of the unit trust managers, that unit trusts, and investment companies for that matter, should be exempt from the tax so that the unit holder or shareholder, if he is liable, is taxed, if he must be, *when he disposes of the shares* and is outside the exemption limits. The loss to the revenue would be very little indeed, as the suggested alternative of indexation would virtually eliminate the tax altogether.

S. W. Penwill.
158, Fenchurch Street, E.C.3.

P.O. pension fund

From the Director-General The Royal Institute of Public Administration.

Sir,—I was pleased to learn from your correspondents (January 23) that actuaries can and do make several valuations of particular funds with alternative assumptions, and that some of them report these figures to their clients. That this procedure should be applied to the Post Office pension fund is, I submit, urgently necessary.

In their 1976 valuation the fund's actuaries worked on assumptions that could well prove to be over-optimistic — among them the following: (a) the rate of inflation will decline to 6 per cent. by 1981-82 and thereafter will remain constant at 5 per cent. (b) the fund's investments will produce a real return of 4 per cent. per annum.

In this and most other countries the annual rate of inflation has not been as low as 5 per cent. for some considerable time. Also, in the year ended March, 1977 the fund's investment income less interest payments and management expenses amounted to £64.7m. or only 6.3 per cent. of the mid-year value of its investments.

In a note in the pension fund's 1977 annual report the actuaries say that: "In the present economic conditions it is very difficult to form a view as to the future outlook for inflation and investment returns." This statement provides complete justification for a series of valuations of the fund on alternative assumptions, and I urge the Post Office Board to call for them without delay.

The Post Office fund is only one of the many large and rapidly growing pension funds in the public sector. In view of the impact on the public bodies that have sponsored them (and on the public who bear their cost), has the time not come for the Government to establish an independent commission charged with the tasks of (i) specifying each year the range of assumptions on which the public sector pension funds should be valued, and (ii) stating the reasons for those assumptions?

Such an arrangement would lead to uniformity of policy in an area of public finance where variety has little to commend it. It would also stimulate public discussion of these important matters and so increase public enlightenment in regard to them.

Raymond Nottage.
Hamilton House, Mabledon Place, W.C.1.

Holding the balance

From the Prospective Liberal Parliamentary Candidate for Farnham.

Sir,—Mr. Michael Minter, January 25, finds it disconcerting that the Liberals have "saddled the country" with another few months of Socialism.

They haven't. For the first time in history a Labour Government has been induced to produce a Queen's Speech with no Socialist measures. The pact dates from March, 1977. Since then inflation is down from 19.9 per cent. to 13 per cent. (so far), MLR is down from 10½ per cent. to 6½ per cent., mortgages from 11.25 per cent. to 9.5 per cent., sterling is up from $1.71 to $1.92, and the reserves are at an unprecedented high.

In addition, Harold Lever has been given specific responsibilities for small businesses and the October mini Budget had some comfort for us small businessmen. The Queen's Speech promises help for the young, the self-employed and small businesses, three sectors steadfastly ignored by previous governments.

Not a bad impact for 13 MPs in ten months. And the only way to avoid wild Socialism on the one hand, and confrontation with the unions on the other, is for the Liberals to go on holding the balance — whatever the party in power.

Peter G. Raynes.
Redesdale, Wellesley Road, Rushmoor, near Farnham, Surrey.

Lib-Lab pacts

From Mr. G. Finsberg.

Sir,—Sadly, Mr. Minter, a former London Liberal Parliamentary candidate (January 25) is right. Every time the Liberals have held the balance of power—in 1924, 1929 and 1974—they have put a Labour Government into power. Since last March they have kept Mr Callaghan in power and their claim to have "moderated" its policies has been all too often repeated by the political commentators.

The facts, of course, are that the present Government had, by last March, completed its 1974 manifesto programme. To their credit, the Liberals opposed such measures as aircraft and ship building nationalisation, described by Mr. Richard Wainwright as "one of the greatest follies of all," the Community Land Act described by Mr. Jeremy Thorpe as "a further attack on the freedom of the individual," and the various measures to strengthen trade union power and closed shops which, as Mr. Cyril Smith said, showed that Mr. Foot was "virtually a slave of the trade union movement." The Liberals have shown no sign of using their pact to secure repeal or satisfactory amendment of such measures. It has not been the Liberals who have prevented further Socialist excesses in the past year, but the wise decisions by the voters of Walsall, Workington, Stechford and Ashfield, thus depriving the Government of their majority.

The Labour Party has made it clear how it sees the pact. Mr. Ron Hayward, its general secretary, said: "It is we who must choose the date of the general election. That means maintaining a majority in the House of Commons. That is what the agreement with the Liberals is about" (Llandudno, May 27, 1977). Mr. Michael Foot confirmed this view: "If we had not made an arrangement with the Liberals we would have thrown away that chance of getting a real majority not merely for months but maybe for years" (Labour Weekly, June 18, 1977)

G. Finsberg.
House of Commons, S.W.1.

A proper handful

From Mr. C. Freud, MP

Sir,—I refer to the hilarious letters (January 24) from the departing Tory agent to the Isle of Ely and from his prospective candidate who appears to be remaining in situ.

I particularly liked Dr. Stuttaford's reference to my constituency's voting figures in the October 1974 election: "Only a handful of Liberals had a worse result." As 619 Liberals stood . . . and 606 were defeated, the poor man's hand should be put on display.

Clement Freud.
House of Commons, SW1.

Imports of textiles

From the Chairman, The Textile Industry Support Campaign

Sir,—However delighted everyone is likely to be about the large power station order from Hong Kong, let us put 2,000 jobs so created into perspective. Over the last ten years Hong Kong has played a key role in the loss of 300,000 U.K. textile workers' jobs by swamping our own market with absurdly priced goods. Let us hope that a consideration of their consciences and help from our own Government can secure further orders to remedy this unequal state of affairs.

J. G. Bridge.
Thorncliffe, 115 Windsor Road, Oldham, Lancashire.

To-day's Events

GENERAL

Mr. Denis Healey, Chancellor of the Exchequer, on two-day visit to Scotland, addresses Newspaper Press Fund lunch, Glasgow, and later speaks at Edinburgh Labour Party dinner.

Pay negotiations start for engineering and technical staff in electricity supply industry.

Mr. Constantine Karamanlis, Greek Prime Minister, visits European Communities Commission in Brussels during tour of European capitals to expedite entry of Greece into EEC.

CBI Economic Situation Committee meets.

Mr. Edward Heath MP speaks at Leeds Chamber of Commerce dinner.

Mr. Robert Sheldon, Financial Secretary, Treasury, is guest speaker at Manchester Chamber of Commerce lunch.

Resumption of talks (which ended inconclusively on Wednesday) between management and senior shop stewards of Ford's Halewood plant in effort to resolve strike

Team of British shipping executives end four-day talks in Washington on world shipping developments.

London Chamber of Commerce seminar on Commercial Arbitration, 69, Cannon Street, EC4, 2 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' Bills.

COMPANY RESULT

John Brown and Co. (half-year).

COMPANY MEETINGS

Associated Engineering, Savoy Hotel, WC, 12. London Intercontinental Trust, 3 London Wall Buildings, EC, 12. Williams (John), Cardiff, 12.

COMPANY NEWS + COMMENT

British Sugar on target with £20.5m.

IN LINE with the forecast made at the time of the July, 1977, rights issue, pre-tax profit of **British Sugar Corporation** jumped to £20.47m. for the year to September 25, 1977, compared with £14.6m., on turnover of £268.27m. against £206.92m.

Stated earnings increased from 131.9p to 169.2p per £1 share and a final dividend of 13.8124p on capital increased by the one-for-two rights, raises the total to the forecast level of 19p (9.29p) net.

The directors propose to sub-divide the £1 shares into shares of 50p each and subsequently to make a scrip issue of one 50p share for each share then held.

Looking ahead, the directors say that the company's low cost structure compared with its U.K. competitors and any of the Continental producers, will allow both the company and its growers to prosper when true market forces within the EEC are allowed to operate.

Confidence in the future, they add, can be judged by the group's recently announced £70m capital spending programme over two years. This will complete the capacity to produce 1.25m. tonnes of sugar in the 1979-80 campaign.

Profit for the year was struck after interest of £2.54m. (£3.35m.), but subject to tax of £1.34m. (£0.5m.). The amount retained improved from £13.17m. to £16.54m.

No provision has been made for deferred tax following the review of the tax position, which demonstrates that the company is not likely to have any liability to pay corporation tax in the foreseeable future, the directors add.

Pre-tax profit on the current cost basis is reduced from £20.47m to £10.44m.

As at September 25, 1977, land and buildings were valued at £71.74m. and the book value of these assets was £23.56m. This revaluation has not been incorporated in the balance sheet.

Sales of sugar were just under 900,000 (770,000) tonnes, while the group committed nearly £30m. to fixed capital and at the year-end used an additional £20m. in working capital.

● comment

British Sugar's profits, up 40 per cent., are in line with the rights issue forecast. However, on a current cost basis following the Hyde guidelines the pre-tax figure emerges as £10.4m.; unfortunately there is no comparative figure for 1976 CCA profits. The company has also taken the opportunity to stop providing for deferred tax in line with ED 19. This has the effect of boosting after-tax profits for the year from around £10m. to £19m. On the new tax accounting method the shares at 490p are on a p/e of under 3, against over 5½ on a fully taxed basis. But the yield is fairly modest at 5.9 per cent., while the company operates in a highly political environment and its growth prospects are strictly limited.

CARDINAL INV. TST.

A two year unsecured loan facility of £1m. for Cardinal Investment Trust has been arranged with Manufacturers Hanover Trust Company. For the first 12 months it will bear an interest rate of 7¾ per cent.

INDEX TO COMPANY HIGHLIGHTS

Cowan, De Groot progresses

WITH TURNOVER ahead from £11.73m. to £15.65m taxable profit of Cowan, De Groot climbed from £719,346 to £852,168 in the half year ended October 31, 1977.

Directors say all four divisions continue to trade well and the strength of sterling allied with lower interest rates should be beneficial.

The year should be one of consolidation involving integration and improvement in the various relatively substantial acquisitions made in the past few years.

The company has arranged a further loan of £1m. from its merchant bank, County Bank, with the proceeds to be used for acquisitions.

The half year result is subject to tax of £443,127 (£374,060) and earnings per 10p share are given at 3.46p against 3.16p.

The interim dividend is up from 0.55p to 0.72p net per share. Last year a 1.173p final was paid on record taxable profits of £1.8m.

● comment

Growth has been steady if not spectacular at Cowan de Groot over the past 10 years or so and a similar trend is noticeable this year. First half profits are 18 per cent. higher on a sales gain of 33 per cent.; the slip in margins from 6.1 per cent. to 5.4 per cent. reflects problems with price control restrictions rather than cost pressures. The Horwood acquisition accounts for about £1m of sales and £75,000 of profits. That leaves little extra from the rump of the business with the industrial side (lighting equipment for local authorities, etc.) of the electrical and hardware division (53 per cent. of profits) gaining group importance at the expense of the domestic side, which is being squeezed by lower consumer spending. The toy division, which accounts for just over a third of profits, has shown volume growth of about 5 per cent. ahead of the Christmas season. Since (53 per cent. of profits) gaining from Hong Kong, margins are likely to jump dramatically as a result of an improvement of about a fifth in the exchange rate. So, given lower borrowings—stocks are at a lower level in the second half and interest rates, the company looks well placed to achieve around £2m. for the year. On average capital this leaves the shares on a p/e of 9.2 (full tax charge) at 74p while the yield is 4.7 per cent.

Denbyware returns to profits

AFTER A £845,000 second half deficit which left the full year loss at £239,000, Denbyware reports a £225,000 taxable profit for the six months to October 1, 1977, compared with £406,000 previously.

Mr. G. H. Robinson, chairman, says the pottery manufacturer etc is still in the process of carrying out the remedial action referred to in his annual report and results to date are more or less as anticipated. The second half of the year should show further improvement.

The U.S. problems are steadily being resolved and the situation there is close to what was expected. The rest of the group's tableware business in the U.K. and Canada and general exports are also as expected.

As a result of improved systems and more effective cost measures, stock levels and expenditure are now under better control and should improve during the rest of the year, Mr. Robinson says.

The half year result is after exchange losses of £37,000 (£34,000 gains) and came on turnover of £5.7m. (£4.38m.). Tax takes £117,000 (£174,000). Last year's total loss included non-recurring costs of £733,000.

The interim dividend is maintained at 2.1123p net per 25p share. A 3.306976p final was paid last year.

● comment

Latest results from Denbyware are more encouraging than they look if set against the grim figures of the second half of the last financial year. Then, losses of £845,000 were incurred, due to problems in the U.S. operations. Admittedly, some £735,000 of non-recurring costs from the elimination of certain product ranges, and compensation payments to a senior executive distorted the true trading picture but even so the recovery is respectable enough. The recovery is mainly due to a steady contribution from the group's traditional earner, tableware products, although the U.K. which accounts for around 87 per cent. of total group sales proved a sluggish market for furniture distribution. But working capital, swelled by the badly timed venture into distribution of U.S. furniture in the 1975-76 financial year, still remains at an historically high level of £4.7m. Borrowings have not been reduced since the year end: at £3.7m. running at over 100 per cent. of shareholders' funds, and interest charges are expected to be around a tenth higher to £318,000. At 86p the shares yield 9.8 per cent. fully covered on a maintained dividend, while doubled first-half earnings would give a prospective p/e of 13.7.

G.T. JAPAN

Pre-tax profit of G.T. Japan Investment Trust more than doubled from £82,161 to £167,138 for the six months to December 31, 1977.

The interim dividend is raised to 1p (0.5p) net—the previous year's final was 0.5p per 25p share.

Guinness Peat up so far

IN THEIR interim report, the directors of Guinness Peat Group state that results for the year to date are comfortably ahead of those for the same period of 1976-77 and the overall level of activity, in the various markets in which the group operates has been generally good.

The interim dividend is stepped up from 3.5p to 4.25p net per 25p was 6.45205p.

The international projects division, which includes the commodity processing operations, is progressing well, they add, and the recent successful acquisition of Willows Francis, will make an important contribution to the group's chemical activities.

Guinness Mahon and Company continues its steady growth, and this should be reflected in its profits for the year, say the directors.

● comment

● In common with the merchant banks, the Guinness Peat Group has issued a suitably taciturn interim statement. Apart from indicating that profits are "comfortably ahead" investors will have to await the full year results for a better picture. Last year Guinness's profits were boosted by the decline in sterling, so it might be expected that against a background of sterling's current strength and weak commodity prices, Guinness's important commodity and trading operations might be finding the going tough. However, the currency turmoils have helped Guinness since commodities provide a useful hedge and the group insists that it is trading volume and not price levels which are the key to profits. Elsewhere the merchant bank has been having a good year and the only dull spot appears to be in the associates—interim profits of Esperanza Trade and Transport (Guinness has a one fifth stake) fell by over a third. The group is probably heading for attributable profits of perhaps £8m. (against £5.9m.) but a yield of 7.4 per cent. at 206p indicates the market's continuing reservations about the quality of the earnings.

Interim by Country & New Town

Country and New Town Properties is to pay an interim dividend for the first time ever, as a result of a significant recovery in the revenue position. Pre-tax profits of £253,000 were reported yesterday for the six months to July, compared with a £70,000 loss for the comparable period. The interim dividend will be 0.2p per share. Last year a dividend of 0.65p was paid for the full year.

Yesterday, Mr. Gerald Newton, the chairman, confirmed that the ever, by the end of the year improvements at the Civil Service store in the Strand should permit the store to obtain a "market rent."

Mr. Newton also announced that discussions have been held with British and Commonwealth Shipping, which holds 29.7 per cent. of C and NT's shares and 61.2 per cent. of the Loan stock, which could lead to the formation of a new C and NT subsidiary, based in Amsterdam.

This subsidiary would consolidate all C and NT's overseas property subsidiaries, in many of which B and C has a minority stake or is a joint partner. The consolidated company would have assets of about £25m. In the last balance sheet the book value of C and NT's properties was £27m.

The aim of consolidating all the companies is to provide a sizeable offshore property company which would be self-financing and would have greater "muscle" in obtaining finance for further expansion.

The new company would control all the company's properties and property interests in France, Belgium and Holland, Australia, Canada and the U.S. In the U.S., for example, C and NT and B and C each have a 20 per cent. stake in Commonwealth Realty Trust Philadelphia which has assets of around $38m.

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Anglo American Gold	**85 cents	March 17	90	165	180
British Sugar	13.81†	—	4.65	19	9.29
Brooke Tool	1	April 3	Nil	1	Nil
Country & N. Town int.	0.2	—	—	—	0.65
Cowan De Groot int.	0.72	April 5	0.55	—	1.72
Denbyware int.	2.11	April 3	2.11	—	5.42
Derby Trust	7.13	Feb. 28	6.72	13.43	11.87
Edinburgh Am. Assets	1.1*	—	0.9	1.1	0.9
Fitch Lovell int.	1.94§	March 31	1.76	—	5.58
Glanfield Lawrence	1.25	March 6	1.25	1.25	1.25
G.T. Japan int.	1	March 6	0.5	—	1
Guinness Peat int.	4.25	March 10	3.5	—	9.93
Hales Properties int.	0.8	March 10	0.73	—	2.21
Imry Property int.	0.8	March 3	Nil	—	Nil
Inchcape int.	6	March 31	4.55	—	10*
Lonsdale Universal	3.24	April 5	2.88	4.63	4.15
Y. J. Lovell	2.39	—	3.48	3.89	3.48
Macarthys Pharm. int.	1.5¶	April 3	1	—	3.93
Manson Finance int.	1.5	Feb. 24	1	—	2.75
Midland Trust int.	1.32	March 6	1.2	—	3.6
SEET int.	0.66	March 6	0.6	—	1.64
R. Smallshaw	1.5	April 7	1	1.5	1
David S. Smith int.	1.25	March 10	1.1	—	2.4
Throgmorton Trust	2.38	March 23	2.75	4.38	4
Vantage Securities	0.35	—	0.3	0.5	0.4
Warwick Engrg. int.	0.33	April 6	1	—	3.29
Watson and Philip	1.67	—	1.48	2.43	2.18
A. J. Worthington int.	0.31*	Feb. 24	0.28	‖	0.7

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Final 1.75p net forecast on capital increased by one-for-five rights issue making 14.75p. § Gross—on capital increased by rights issue. ¶ To reduce disparity. ‖ 0.0472p final forecast. ** South African cents throughout.

Macarthys near £1.5m. mid-year—confident

WITH pharmaceutical wholesaling gross trading margins showing a 0.7 per cent. reduction **Macarthys Pharmaceuticals** reports taxable earnings of £1.47m., against £1.22m., on external group sales up 24.5 per cent. from £34.87m. to £43.35m. for the six months to October 31, 1977.

The cut in margins was a result of there being relatively few significant price increases in medicinal products during the period, the directors say. However the pharmaceutical manufacturing, retail, surgical and veterinary divisions all recorded improved results and overall sales growth has continued to be satisfactory during the last few months.

The directors expect performance in the second half to be similar to that achieved in the first six months. Last time full year profit was a record £2.85m.

Stated half-year earnings per 20p share were higher at 6.6p (5.4p). The net interim dividend is raised to 1.5p (1p) to reduce disparity. The final last year was £2.93p.

For the half year the net outflow of group funds amounted to £1.31m., compared with £1.36m. shown at 1976-77 year end.

● comment

Volume sales at Macarthys Pharmaceuticals increased by around 10 per cent. (turnover up 24½ per cent.) in the first half while pre-tax profits rose 21 per cent. However the performance of the main pharmaceutical distribution division has been disappointing with profits up only £36,000 to £1.16m. Sales pressure on this division has increased as a growing number of small pharmacists (disappearing at the rate of 250 a year) have been taken over by larger concerns which in the main have their own distribution outlets. The rest of the group, however, has in the first half more than made up for this sluggish performance. Volume gains have come from retailing (profits up 76 per cent. at £325,000) surgical distribution (profits up from £70,000 to £168,000) and veterinary supplies (profits up 41 per cent. to £162,000). The later two areas have increased market share as competitors have gone out of business in the past two years while the retailing division has benefited from new store openings. Meanwhile the manufacturing division has solved its problems over faulty ampoules and eye drops, which halted production last year, and profits here are up from £4,000 to £71,000. The shares yield 6.5 per cent. at 102p (up 2p).

SEET rises £236,000 at halftime

IN LINE with its September forecast taxable profit of Scottish, English and European Textiles lifted from £325,000 to £501,000 on turnover of £5.1m. compared with £4.95m. Last year's figures include Wemyss Textiles, disposed of on April 28, 1977.

Mr. J. H. M. Mackenzie, chairman, says the second half has begun well for the group and the re-equipment of mills continues. The new steam generating plant at Kenneth Mackenzie Holdings has been installed and the Blackburn Group is planning further replacement of existing looms with weaving machines.

The interim dividend is stepped up from 0.6p to 0.66p net per 20p share. A 1.04p final was paid on full-year profits of £862,000 last year.

	1977 £000	1976 £000
Group turnover	5,095	3,953
Wemyss' turnover	—	1,118
Profit before tax	501	325
Taxation	297	184
Net profit	204	141
Minorities	31	35
Attributable	233	126
Dividend	26	23
Retained	207	103

Sound Diffusion to repay £2m. short-term loans

Sound Diffusion yesterday announced a deal whereby it will repay about £2m. worth of short term loans at a discount of £1m. As a result, the net assets of the company will be increased by a similar amount.

Mr. Charles Stonor, chairman, said yesterday that the deal was advantageous to both sides. The lender of the funds would be able to receive some tax advantage. He declined to name the lender saying that he did not want to draw undue attention to the deal.

The £1m. cost of the repayment has been financed by Houston Financial Services, an affiliate of Houston International Bank Luxembourg. The new loan is for a maximum period of 15 years with repayment instalments commencing in year 6, although Sound Diffusion has the right to accelerate repayment.

Mr. Martin Wardman, a director of Sound Diffusion as well as Houston Financial Services, said yesterday that as a result of the boost to net assets and a capital gain of £456,000 on an investment in gilts, the liquid funds of Sound Diffusion now exceeded its borrowings. He said that confidence in Sound Diffusion had been shaken a few years ago but was now coming back.

Houston Financial Services has subscribed in cash for 832,000 5p shares in Sound Diffusion which were available to it at par because of options. The stake represents 12.7 per cent. of the issued share capital. HFS has options to subscribe for another 125,000 shares but this is dependent on leasing facilities granted to Sound Diffusion by HFS being utilised.

Sound Diffusion also announced yesterday a joint venture with Securicor. The two companies are to participate equally in a new company called Securisound with an initial capital of £10,000. It will develop electronic systems to combat attacks on security vehicles carrying cash. Mr. Wardman says that the size of the likely turnover meant the project had very good earnings potential.

On recent trading of Sound Diffusion, Mr. Stonor forecast that profits for 1977 would be not less than the corresponding figure last year. Trading conditions as regards new business had "remained difficult in the U.K." but were now starting to show "a significant improvement." Shares of Sound Diffusion rose 4p yesterday to 49p.

A. J. MILLS

A. J. Mills (Holdings) has announced a special interim dividend of 1.757p making a total for the year of 3.057p (2.737p) net.

The total in yesterday's report was incorrectly stated.

ISSUE NEWS

£96m. rights from Midland Bank

Underwriting has been completed for a £96.4m. rights issue by Midland Bank. Some 29.99m. shares are being issued on the basis of one new share for every five held at 330p per share.

Holders of 7½ per cent. Convertible Subordinated Unsecured Loan Stock 1983-93 are being offered 21 new shares for every £500 nominal of stock held.

The directors estimate that consolidated pre-tax profits for the Bank and its subsidiaries for the year ended December 31, were of the order of £190m. compared with £166.4m. for the previous year.

Midland says that in considering last year's profits that it should be remembered that interest rates fell to a low level in the second half—particularly by comparison with the high interest rates prevailing in the previous two half-years.

The directors have declared a second interim dividend of 7.25p on the existing capital and intend to recommend a final dividend in respect of last year of 1.75p, on the capital increased by the rights issue. This will make total dividends for the year of 14.75p net (12.62382p) and 22.34848p gross (19.42484p). The Treasury has given permission for the approximately 15 per cent increase.

The Bank says that in the absence of unforeseen circumstances it expects to at least maintain the same rate of dividend for 1978 on the increased capital.

Full details will be sent to shareholders on January 31. The latest date for acceptance will be on Tuesday February 21 and dealings are expected to start on February 1 (nil paid)

The Bank's advisers are Samuel Montague while the issue is underwritten by Cazenove and Company.

See Lex

First half downturn by Fitch Lovell

TURNOVER for the 26 weeks to October 29, 1977, of Fitch Lovell expanded by 20 per cent. to £246.14m. but pre-tax profits fell from £3.41m. to £2.76m. Earnings are shown to be down from 3.97p to 2.07p per 20p share.

Mr. M. G. Webster, the chairman, says that in looking at the full year results one must remain, as always in the food industry, very cautious. Since the half year end competition in food retailing has intensified and this further confuses the current situation.

Nevertheless the interim dividend is lifted from 1.76p to 1.936p gross per share on capital increased by last year's rights issue and a maximum permitted total is intended. The total for 1976-77 was 5.57605p gross and pre-tax profits came to a record £9.08m.

	26 weeks 1977 £000	1976 £000
External sales	246,137	205,709
Operating profit	4,125	5,307
Depreciation	1,323	1,310
Profit	4,002	4,797
Manufacturing	2,145	2,105
Agency etc.	1,650	1,495
Retailing	1,174	611
Poultry	‡201	401
Other activities*	‡100	‡113
Interest	991	920
Exceptional debits†	354	437
Profit before tax	2,757	3,411
Tax	1,462	1,951
Net profit	1,295	1,460
Extra-ord. credits	20	—
To minorities	1	3
Pref dividend	13	13
Attributable Ord.	1,290	1,442
Dividend	759	536
Retained	510	883

* Non-food companies, reduced by parent company costs. † Profits less losses on disposal of properties £174,000 (£56,000); development and reorganisation expenditure including financing costs £932,000 (£471,000) and other items £96,000 (£44,000). ‡ Loss.

The poultry division was hit by a high level of production in the industry at a time of increasing food prices, coupled with an unexpected decline in consumption. Current trading indicates that the second half will show a move into profit.

The agency, first-hand wholesale and market sectors further improved profit despite fluctuating commodity prices and adverse trading conditions.

Exceptional items included the cost of the experimental launch of further processed poultry products, £382,000; the cost of withdrawal by Lovell and Christmas from symbol group trading, £211,000; and the cost of closing retail branches, £139,000.

● comment

A fall in profits before exceptional items of 6.6 per cent. from Fitch Lovell reflects the depressed trading conditions in which the group operated during the first half. Food volume sales in the U.K. fell by 4 per cent during the period and high animal feed costs—following the poor harvest of 18 months ago—helped push up prices at a time when national consumption of meat was falling. As a result the poultry division made a loss while a flat performance from the food manufacturing division was not helped by cut-price competition on cooked hams from Denmark (as a result of EEC import subsidies) which depressed Robirch's profit contribution by £200,000. The fall in group profits would have been even more marked but for a fine performance from the retailing division which almost doubled its contribution. The group's aggressive Keymarket advertising campaign which preceded Tesco's own cut-price campaign may have helped the retailing outlets increase market share over the period, but trading would have become more difficult since then as the price war intensified. Poultry and food manufacturing, however, may now benefit from lower feed prices but trading generally will continue to be difficult for some time yet. The shares at [illegible] yield 11 per cent. on forecast dividends.

D. S. Smith ahead at halfway

PHOTO-LITHO printers and carton manufacturers, **David S. Smith (Holdings)** reports pre-tax profits ahead from £615,000 to £672,000 for the six months to October 31, 1977.

Changes in demand created by market fluctuations and other factors produce difficult conditions, state the directors and, as anticipated, lower interest rates will reduce income from short-term deposits in the second half.

Nevertheless, trading profit should make good the difference and the overall full year result should be in line with the previous year's £1.21m.

Although half-year sales advanced from £3.1m to £3.73m., profit margins have been somewhat lower because of cost increases, the directors add.

After tax of £349,000 (£320,000) net profit advanced from £295,000 to £323,000, with stated earnings per 20p share higher at 6.0p (5.5p). The interim dividend is lifted from 1.1p to 1.25p net, costing £68,000 (£59,000)—last year's final was 1.3035p.

BUILDING SOCIETIES

Restraint still needed

Building societies must continue to exercise restraint in their lending policies if they are to avoid being blamed for faster house price rises, says Mr. Ralph Stow, managing director of Cheltenham and Gloucester, who is also chairman of the Building Societies Association. There should, Mr. Stow says, be no undue increase in the multipliers used to assess maximum loans against incomes.

Mr. Stow's comments came in connection with the announcement of Cheltenham and Glocester's figures for 1977, which show a 26.5 per cent. increase in total assets to £504.9m. Mortgage advances during the year rose from £88.9m. to only £87.8m., so that most of the net investment inflow—up from £43.5m. to £97.3m. last year—went to boost liquid funds, which finished 1977 at £125.7m. (or 24.9 per cent. of total assets) as against £66.4m. At the end of the year the mortgage commitments amounted to £23.9m., as against £6.5m. at the end of 1976.

Total assets of **Leicester Building Society** rose during the year by 24.3 per cent. to £1.12bn., thanks to a healthy net inflow of funds—up from £83.4m. to £171m. before crediting interest. Mortgage advances during the year were £218.1m. (against £195.5m. in 1976), and most of the new money went into building up liquidity, from £151.7m. to £243.7m. A lot of that liquidity went into short-dated gilts, but some was placed in the money markets.

At **Portman Building Society**, too, there was a build-up of liquidity, although in this case it was on a more modest scale—a rise from £25.46m to £33.84m. Portman's mortgage advances, however, rose relatively sharply—by 23.5 per cent to £33.3m.; and total assets increased by 21.4 per cent to almost £160m.

Reports to Meetings

£50m. property sales for Trafalgar

PROPERTY SALES of around £40m. to £50m. for the rest of this year, a return to profits at the Daily Express, continued confidence in the role of the QEII within the group, and a probable scrip issue by the end of the year were among the topics discussed at yesterday's annual meeting of **Trafalgar House** by the chairman, Mr Nigel Broackes.

Beaverbrook Newspapers is making a profit, Mr. Broackes claimed. "Mr. Matthews is winning." At the Daily Express, revenue and circulation have both stopped declining over the past six months and the position has now been reversed. The Evening Standard is breaking even and causing no worries.

Clarifying the group's new policy with regard to properties, Mr. Broackes said that it had been policy for several years to sell investment properties, but the market had not been attractive enough. Now the company was able to sell at prices which would yield buyers between 4 per cent. and 6 per cent., and yet, because of the group's own unused capital allowances, Trafalgar would not have to pay tax immediately on the gain.

"We don't want to tie up a lot of money in completed properties and merely collect the rent. But that does not mean we shall be getting out of property. The change is that our properties will now be held as trading stock rather than as long-term investments."

In addition to the sale of Billiter Buildings and Leadenhall House, which Mr. Broackes confirmed had recently been sold for just over £40m., there will be further sales of about £40m. to £50m. in the remainder of the year. Thereafter the company intends to continue to develop and sell perhaps £30m. worth of properties each year.

On the shipping side, Mr. Broackes was adamant that there is no prospect of the QEII being scrapped. But it is unlikely that there will be any further investment in new ships either for passenger or cargo use. The replacement cost of the QEII would be £100m.; it is in the books at £10m.

Another area in which there is unlikely to be any further expansion, "although we will not be doing any less," is hotels. Mr. Broackes said that while the hotels in the centre of London have been a success, the economics of hotel operations are generally not attractive.

Mr. Broackes also made it clear that the company was not considering buying the Savoy Hotel. "If you have the Ritz, do you need it?"

Trafalgar is also looking at the probability of a scrip issue by the end of the year in order to reduce the discrepancy between equity capital and reserves.

See also, Page 26

FIRST QUARTER profits of **Proprietors of Hay's Wharf** show "a useful increase over profits earned for the 1976, December, quarter."

The improvement has been brought about in the main as a result of the action taken to improve liquidity by the sales of low yielding assets.

THE CHAIRMAN of **Matthew Brown**, Mr. Cyril J. Ainscough, told the AGM yesterday that the company was "making sound progress in all its activities."

Beer sales in the new financial year have risen in total by more than 7 per cent. while the company's own brewed draught ales and lager are up still more on the same period last year.

Mr. Ainscough added that as beer prices have been unchanged for the past nine months, it would be necessary for the company to increase prices in February after which it was intended that these should remain throughout the summer.

With the strength of current sales there was good cause for enthusiasm for the company's long term prospects although he forecast that there could be no better than a modest profit increase at the half way stage.

SHAREHOLDERS in **Ranks Hovis McDougall** were told at yesterday's AGM by Mr. Joseph Rank, chairman, that profits for the first half of the current year would be below those for the corresponding period last year, mainly due to the losses sustained by the bakery division as a result of the national bread strike in September which, as already reported, is estimated to have cost the group £3m. Regarding the future, Mr. Rank said "I see no reason to alter the statement made in my annual review."

Reduced margins hold Inchcape at midway

SEVERAL ADVERSE influences, including a reduction in trading margins through price restrictions in Nigeria and Malaysia, meant that pre-tax profits of international merchants Inchcape and Company were only marginally improved from £32.87m. to £34.42m. for the half year to September 30, 1977.

The directors state that in most areas in which the group operates, trading conditions continue fair although adverse factors will also affect the second half. Having regard to these and to the heavier tax charge expected, they feel that the full year results will be reasonably satisfactory.

For all the previous year, they reported a record £73.38m. surplus.

The interim dividend is stepped up from 4.55p to 6p net—in October, the directors announced that they expected to recommend payments for the current year of not less than 15p (equivalent 10p) per £1 share.

First half profit is subject to tax of £13.44m. (£13.8m.) and after minorities interest and pre-acquisition profits of £1.33m. (£2.91m.), the surplus available to Ordinary holders, before extraordinary items, expanded from £16.13m. to £19.82m.

As already announced, the group's interest in the Nigerian subsidiaries has been reduced in accordance with the Government's requirements, from 60 per cent. to 40 per cent. with the result that pre-tax profit is lower than it would have been if these companies had remained subsidiaries. However, at the same time, the Nigerian outside minority interest in the post-tax profit has been excluded.

Pre-tax profit for the half year is some £3m. less than it would have been if the translation into sterling of overseas results had been made at the same rates of exchange as those applying for the previous year, say the directors.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—John Brown, William Cook (Sheffield), Gold Fields of South Africa, Henderson-Kenton.

Finals—CGSB

FUTURE DATES

Interims—	
Capseals	Mar. 21
Cope Allman International	Mar. 21
Haggas (John)	Feb. 14
Wood (S. W.)	Feb. 8
Finals—	
ACE Machinery	Feb. 1
IDC Group	Jan. 31
Lebus (Harris)	Feb. 2
Mercantile Investment Trust	Mar. 6
Sterling Trust	Feb. 1

Peak £1.2m. by Watson & Philip

SCOTTISH-BASED food distributors Watson and Philip expanded pre-tax profit from £864,000 to a record £1,175,000 for the year ended October 28, 1977, on higher turnover of £37.74m., against £28.44m.

Mr. D. C. Greig, the chairman, states that by any standards the company has had a successful year but trading was becoming more difficult towards the end of the year and that trend towards more testing conditions has continued.

Against that the group has still to reap the full benefits of the expansion which has taken place in the past two years and he is satisfied that the coming year should show continued progress.

Tax took £577,000 (£421,600) leaving net profit ahead from £443,000 to £598,000. A final dividend of 1.66738p net raises the total to 2.43644p (2.17602p), paid from stated earnings of 7.2p (5.4p) per 10p share.

At halftime, profit was better at £502,000 (£360,000).

Imry in profit—pays interim

With terminal losses in Belgium taking £64,000 Imry Property Holdings achieved a pre-tax profit of £193,000 in the half year to September 30, 1977, and the directors say the second half should show an increased profit.

Last year, losses of £186,000 in Belgium left a first-half deficit of £55,000. The full-year loss was £5,000.

First-half tax takes £129,000 (£117,000) and extraordinary debits of £20,000 (£200,000) have been transferred to reserve. Outgoings in respect of properties in the course of development less tax relief not charged against profits came to £17,000 (£34,000).

In the last annual report net profits of £150,000 were forecast for the year as were dividends of 1.6p net per 25p share payable in two halves.

The interim payment is now declared at 0.8p. The last payment was 0.5p net for 1974-75.

Brooke Tool back on dividend list

With turnover up £0.9m. to £4.8m. Brooke Tool Engineering (Holdings) reports its third profit in ten years with pre-tax earnings up from £54,900 to £161,700 for the year to September 30, 1977. Dividend is restored with a 1p payment.

At halftime profit had recovered from £8,400 to £52,300. The year's result is subject to tax of £9,600 (£2,900 credit) and after interest of £116,400 (£130,700). The attributable profit is £152,100, while extraordinary debits of £35,000 last year produced a loss of £22,800.

Directors say they consider it unlikely there will be any further tax liability as carried forward tax losses together with group relief are available against certain subsidiary profits. They say the group is now in a much healthier state and they look forward to the future with quiet confidence.

Earnings per share are given as 125.6p (22.8p).

Record £1.7m. for Y. J. Lovell

BUILDERS, DEVELOPERS and timber importers Y. J. Lovell increased pre-tax profit from £1.53m. to a peak of £1.71m. in the September 30, 1977, year. At halfway profit was £99,000 ahead at £711,000.

Turnover for the year climbed from £47.34m. to £54.11m., and of profit, the building and allied trade operations contributed £1.13m. (£0.95m.), and timber £0.75m. (£0.63m.), while losses of £174,000 (£84,000) were incurred establishing associate companies overseas.

Directors say that 1978 has begun reasonably well, but in view of the continuing pressure on margins they are taking a cautious view of the probable outcome. They are however confident of continued progress.

Group properties were revalued at September 30, to £8.1m. with a £3.9m. surplus arising.

Earnings per 25p share are shown up from 21.9p to 22.5p and a 2.39p final dividend lifts the total to 3.89p net against 3.48p last year.

	1977 £000	1976† £000
Turnover	54,111	47,337
Trading profit	1,880	1,609
Assoc. losses	174	84
Profit before tax	1,706	1,525
Tax†	148	145
Net profit	1,558	1,380
Pref. divs.	14	14
Ord. divs.	266	239
Leaving	1,278	1,127

† Adjusted for ED 19.

Hambro Trust has £120,000 at halfway

DIRECTORS of Hambro Trust say that the company's receipts for the December 31, 1977 half year have been further increased because of dividends from other investments. The total available for Ordinary capital is £120,000 compared with £79,500 last year.

On Wednesday Hambro announced an increase in the interim dividend from 0.5p to 0.85p net.

They say the second half receipts are not expected to show any increase and about half the available income at December 31 will be carried forward and applied to the final dividend. A 1.32p final was paid last year.

English China sees modest improvement in 1978

WHILE PROSPECTS of English China Clays are not encouraging, the current year may yield a modest increase on last year's pre-tax profit of £50.48m., Lord Aberconway, chairman, says in his statement with accounts.

He says that he wishes he could express the same confidence in the short term future as in the long term, but says with the soundness of the group's business and the resources of employees the year may turn out better than the portents of likely demand and general economic climate may now indicate.

On the clay side of operations, he says the group sees little prospect of securing increases in export prices for either filler or coating clay for the paper manufacturing industry. Nor do directors anticipate any great advance in volume, although some improvement is hoped for.

The other industries using its china clay show only slightly better prospects of requiring increased tonnages, but ECC is confident of maintaining its market share.

In the current year expansions are to be carried out by group production companies in America, Italy and Australia. Anglo-American Clays Corporation has entered a joint venture with Flintkote Corporation to produce a calcium carbonate paper coating pigment.

On the building side, its main work of documentation on public sector housing is completed, and although there is an appreciable amount of construction work in the pipeline there is little hope of ECC again finding major outlets in the U.K.

To compensate for this the group has shifted its emphasis to the West Indies and more recently the Middle East. Already 900 low cost housing units are on order or under construction in Trinidad on a consultancy, royalty basis with full documentation. A smaller scale operation in the Middle East has also been put in hand.

The quarries division, which last year had invoiced tonnages only two-thirds as high as two years before, has sought to maintain its prices in a weak market, and if this continues the division should continue to make a useful profit contribution, Lord Aberconway says.

Negotiations with British Rail are underway for extension and modernisation of Associated Asphalt's London depot, and in the Channel Isles bulk cement import and distribution facilities are to be constructed.

In the September 30, 1977, year, liquid funds of ECC increased £10.62m. (£7.31m.) and at balance date net assets of the group stood £13m. higher at £47.9m., with short-term investments and deposits and cash at bankers at £6.4m. (£5m.).

Group properties were revalued at October 1, and the £28m. surplus will be reflected in this year's accounts.

Meeting, Hyde Park Hotel, SW, February 22 at 12.30 p.m.

Statement, Page 10

Lonsdale Universal up 36%

ON TURNOVER 25 per cent. ahead at £26m. pre-tax profit of Lonsdale Universal climbed 36 per cent. from £0.9m. to £1.24m. in the September 30, 1977, year.

At half time profit was £134,000 higher at £585,000, and Mr. Alan Edwards, managing director, says the group is strongly based to continue its progress in 1978.

Apart from the expected poor results from the retailing and board packaging sectors all other groups improved. Office equipment and stationery increased its profit 75 per cent. to £0.75m., leading the way and reflecting the previous year's investment programme.

The result is subject to tax of £281,000 (£337,000), and after extraordinary gains of £8,000 (£31,000 debits) and Preference dividends, attributable profit is £948,000 (£524,000).

Under the provisions of ED 19 earnings per share are given at 13.9p, while under the "liability" method at 10.05p against 8.19p.

The final dividend is increased from 2.8825p net per 25p share to 3.2404p, taking the total to 4.6324p (4.1473p).

Derby Trust advances revenue

After interest and management expenses, pre-tax revenue of Derby Trust advanced from £487,292 to £530,330 for 1977.

U.K. tax took £173,307 (£172,269) and overseas tax £14,205 (£12,033), leaving available revenue up 13 per cent. from £302,990 to £342,818.

A final dividend of 7.13p (6.721p) net, steps up the total to 13.429p (11.87p) per income share.

On December 31, 1977, the £0.4m. deferred income £1 shares became income shares of £1 each, but only rank for dividends in respect of 1978 and afterwards.

Net assets are shown as £3.45 (£2.40½) per 50p capital share, at December 31, 1977.

St. Kitts to liquidate

Following nationalisation of its principal asset, St. Kitts (Basse Terre) Sugar factory, by the St. Kitts Government, St. Kitts (London) Sugar Factory is recommending members' voluntary liquidation in order to realise the value of the assets.

Under the nationalisation scheme, compensation of £1m. was payable in instalments up to December, 1980. Of this £½m. has already been paid.

The St. Kitts-based company is also to be liquidated and distribution of its assets (mainly the compensation installments) will also be distributed.

St. Kitts London's shares will continue to be listed until the final instalment of the compensation is received.

F. Pratt slows to £0.7m.

A SLOWDOWN in taxable profit from £526,180 to £261,879 in the second half left the full-time surplus for the year to October 31, 1977, at F. Pratt Engineering Corporation lower at £706,525, against £938,380. Sales were ahead by £2.75m. at £17.47m. with direct exports increasing from £2.2m. to £3.8m.

The expected improvement in the second six months was held back by continued difficult trading conditions, especially in the constructional steel division, the directors state. The order book at year-end was better at £7.5m. (£5.7m.).

Although these difficulties have persisted into the current year, there is now evidence of improving business, the directors say. They therefore expect, as the year progresses, a return to the more profitable trend which existed up to the beginning of 1976.

The net total dividend is lifted to a maximum permitted 4.8121p (4.3526p including additional 0.0442p for change in tax rate) with a final of 3.1639p.

	1976-77 £	1975-76 £
Turnover	17,469,611	14,721,952
Trading profit	1,532,615	1,698,118
Depreciation	406,594	365,936
Interest	419,597	373,792
Pre-tax profit	706,525	938,380
Tax	55,918	104,761
Net profit	650,607	833,619
Minorities	79,941	22,215
Extra-ord. debits	65,907	*57,251
Available	564,541	913,085
Ord. dividends	†259,092	228,308
To reserves	405,449	684,777

* Credits. † Including £2,349 for previous year's tax adjustment dividend.

A. Worthington does better

Textile products group A. J. Worthington edged pre-tax profit £2,700 higher to £151,200 in the September 30, 1977, six months on turnover ahead from £0.88m. to £0.9m.

Tax takes £78,624 (£77,220) and earnings per share are stated at 3.55p (3.485p).

Directors expect trading conditions to remain much as they are for the end of the remainder of the year. Profit last year was a record £311,615.

The interim dividend is up from 0.275p net per 5p share to 0.307p. A final of 0.472p compared with 0.429p is expected.

MINING NEWS

But better times are ahead for Amgold

BY KENNETH MARSTON, MINING EDITOR

LOWER profits, but with the indication of better times ahead, come from the Anglo American Corporation group's major South African gold share holding company, Anglo American Gold Investment. Net profits for 1977 have come down to R41.5m. (£24.7m.) from R45.4m. in the previous year and a reduced final dividend of 85 cents (50.6p) makes a year's total of 165 cents against 180 cents for 1976.

	1977 R000	1976 R000
Investment income	45.159	46.930
Interest	337	1.738
Surplus on realisation of investments	1.790	—
Underwriting commission	347	77
Administration expenses	1.016	1.256
Interest paid	1.689	372
Prospecting expenses	1.625	1.767
Provision against loans	1.725	—
Profit before tax	41.608	45.400
Taxation	101	34
Profit after tax	41.507	45.366

The indication of better things in the current year comes with the improvement in fortunes of Amgold that developed in the second half of 1977 along with the recovery in the gold price. Also pointing to better things has been the resumption of share dealing profits.

Investment income in the first half of last year dropped 20.6 per cent. to R21.3m., but it picked up in the second half with the result that the year's total of R45.2m. was only R1.7m. down on the 1976 total: it must be remembered that such income does not accrue evenly throughout the year.

As with all investment companies, Amgold's revenue is subject to a time-lag between the declaration of dividends on its investments and the eventual appearance of such income in the investment company's accounts.

By now the rising tide of gold mining dividends is flowing through to Amgold and the *current half-year's results should* make a bright showing with the prospect of further good tidings in the second half. Amgold lost ½ to £15¾ in a generally weak share market yesterday.

Iscor develops coal deposit

ISCOR, THE state steel group of South Africa, has confirmed that it is to proceed with its Grootgeluk blend coking coal deposit in the Northern Transvaal, which will supply 50 per cent. of the corporation's blend coking coal needs by the mid-1980s, writes Richard Rolfe in Johannesburg.

Development of the open-cast mine, which will treat some 13m. tons of material annually for output of 2m. tons of blend coking coal and a further quantity of fuel for power station usage, was started in 1975. Since then, delays in the project, which will cost over R200m. (£118.2m.), have been caused by Iscor's shortage of funds, in common with other primary steel producers.

The problem has been solved by inviting a bank consortium to arrange leasing facilities for the beneficiation plant portion of the project. Iscor has accepted proposals from Standard Bank and its local subsidiaries in association with UDC, the local associate of United Dominion, and a leasing specialist. The capital sum on the plant, which will give a major stimulus to the local process engineering industry, will be over R100m. (£59.1m.).

Messina omits its interim

THE WEAKNESS of copper prices claims yet another victim, this time the Messina (Transvaal) South African and Rhodesian copper mining and industrial group. After having suffered a sharp fall in earnings for the year to last September, the group does not intend to pay an interim dividend for the current year. For 1976-77 there was an interim of 20 cents followed by a final of 10 cents.

At yesterday's Johannesburg meeting the chairman, Commander H. F. P. Grenfell, said that the group's performance in the first quarter of the current *year has confirmed that there is* little hope for improved results for the full period. Apart from the Rhodesian Mangula, the group's mines are operating on, or near, an unprofitable basis.

Failing a substantial increase in the copper price, therefore, the contribution to profits by the mining side of the business is unlikely this year to compensate for losses on the industrial interests, he added. Messina fell 6p to 90p yesterday.

Exxon plans $1.1bn. Chilean expansion

EXXON MINERALS International, a subsidiary of the giant U.S. oil corporation, Exxon, plans to spend $1.1bn. (£563.3m.) expanding La Disputada de las Condes copper mine in Chile. The scale of the investment was disclosed as Exxon signed a contract to purchase the mine for $110m. (£56.3m.).

The mine is being sold by the state-owned company, Empresa Nacional de Mineria as part of the Chilean Government's policy of selling state assets. Exxon's investment is its largest so far outside the energy field and emphasises the diversification plans of major oil groups.

Mr. John Finley, the Exxon executive who is becoming president of La Disputada, said preliminary surveys indicated that the mine had enough reserves to justify a major expansion. But the investment will not be made if the results of an exploration programme, lasting 30 months and costing $7m., are not satisfactory.

Despite the tentative nature of the plans, the declaration of intention *suggests that Exxon has* accepted the commonly held view of copper shortages emerging in the 1980s. However, the group is acting against the recessionary trend in the industry which has been manifest in widespread production cutbacks.

La Disputada has two main deposits. The latest figures show that one contains 188m. tonnes of reserves grading 0.88 per cent. copper and the second has 381m. tonnes grading 0.72 per cent. copper.

The Chilean Government opened the mine to bidders last October. Exxon was the only group interested and announced its offer in December. The contract just signed in Santiago provides for Exxon to pay the sellers more than $86m. in cash next month and the balance after the auditing of La Disputada's books has been completed.

Empresa Naciola holds 86.5 per cent. of the mine's shares and Exxon is paying $2.1 a share. The remaining shares are in private hands and Exxon has agreed to buy those at the same price.

Renison's tin profit boost

RIDING THE crest of the wave is the Consolidated Gold Fields group's Renison tin property at Renison Bell in Tasmania. Net profits for the six months to December 27 have advanced to $A8.48m. (£4.99m.) from an adjusted $A3.64m. a year ago and the interim dividend is boosted to 42.3 cents (25p).

The previous year's interim was 35 cents, equivalent to 17.5 cents on the capital subsequently enlarged by the one-for-one scrip made in June. A final for 1976-77 of 32.5 cents was declared on the bigger capital.

Apart from the buoyant tin prices, the mine also reaped the benefits of increased production and of the new concentrate leaching plant. Output of tin metal contained in concentrates for the past half-year amounted to 2,607 tonnes compared with 2,374 tonnes a year ago.

(5.12p) a share. The shares were £10¼ yesterday.

* * *

The South African mining investment group, Middle Witwatersrand (Western Areas), made a net profit in the six months to December of R1.47m. (£868,850) compared with R1.37m. in the same period of 1976. The market value of the company's listed investments at the end of 1977 was R54.5m. against R42.7m. at the end of 1976.

* * *

Hudson Bay Mining and Smelting, the Canadian arm of South Africa's Anglo American Corporation is paying $Can.800,000 (£373,300) for a mineral property with a known lead-zinc deposit 60 miles away from the centre of its operations at Flin Flon in Manitoba. The sellers are Freeport Canadian Exploration and Beth-Canada Mining. Hudbay is to pay a royalty of 25 cents for every ton of ore mined.

SAAIPLAAS HIT BY COSTS JUMP

THE COST of the No. 3 shaft development at the Anglo American Corporation's gold and uranium producer, Free State Saaiplaas, has escalated to R120m. (£70.9m.) from the original estimate of R80m., Mr. Denis Etheredge, the chairman, told the annual meeting in Johannesburg yesterday.

He explained that capital costs had risen at a higher rate than orginally forecast and warned that additional funds would be required from shareholders, probably in early 1979. The shaft will be commissioned in 1981.

Mr. Etheredge did not specify an amount, saying that the extent of the requirement would depend on the level of the bullion price.

With an extensive capital programme, embracing an interest in Anglo's OFS joint metallurgical scheme, and a low grade of ore, Saaiplaas is vulnerable to bullion price movements and any increase in costs. In the last two quarters, when there were no uranium profits, the mine made an operating loss.

Its shares, however, have taken part in the recent rise of the market and closed yesterday at 112p, not far from their 1977-78 peak of 126p.

BANK RETURN

	Wednesday Jan. 25 1978	Inc. (+) or Dec. (—) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	24,825,890	+ 3,601,982
Special Deposits	1,204,089,000	—
Bankers	502,236,100	+125,443,767
Reserves & Other A/cs	665,674,194	— 16,114,683
	2,411,433,084	— 113,131,167
ASSETS		
Govt. Securities	1,470,831,092	—350,874,989
Advances & Other Accounts	762,137,290	— 444,461,090
Premises, Equipt & other Secs.	153,446,237	+ 13,657
Notes	24,799,857	+ 19,686,354
Coin	169,446	— 4,765
	2,411,433,084	+ 113,131,167
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	7,675,000,000	— 25,000,000
In Circulation	7,650,200,143	+ 5,363,646
In Bank'g Dept.	24,799,857	— 19,636,354
ASSETS		
Govt. Debt	11,015,100	—
Other Govt. Secs.	6,648,205,793	+ 10,022,062
Other Secs.	1,015,779,107	+ 14,977,938
	1,675,000,000	— 25,000,000

ROUND-UP

A $35m. (£17.9m.) eight-year loan is being raised by Marcopper Mining of the Philippines to finance development of a 200m. tonnes ore reserve at San Antonio. Placer Development of Canada holds a 40 per cent. stake in the company. The balance of the shares is held by local interests.

* * *

Australia's Endeavour Resources has sold its Australian-Thai Tin subsidiary to NL Industries of New York for $1.1m. (£567,000) cash. Endeavour will provide management services for at least two years for Australian-Thai which mines barite ore in Southern Thailand. Endeavour is raising its authorised capital to $A30m. in 60m. shares of 50 cents. At present there are 36.7m. shares in issue.

* * *

In New York yesterday, ASARCO, the international copper producer which recently received a London listing, declared a regular quarterly dividend of 10 cents

MINING BRIEFS

THE MOUNT LYELL—

Ore Treatment Results	11.1.78	12.1.77
Ore milled (tonnes)	870,294	1,143,467
Average copper grade	1.246%	1.634%
Concentrates (tonnes)	37,638	40 807
Grade (copper)	28.34%	28.13%
Realisable—		
Copper (tonnes)	9,392	10,273
Gold (grams)	209,199	196,627
Silver (grams)	1,246,425	1,662,396

BIDS AND DEALS

Brittains gets £2m. boost

BY JOHN MOORE

Equity Capital for Industry is providing £2m. of additional capital for Brittains, the Staffordshire-based paper group.

The move is designed to provide the additional capital needed for a major investment programme, directed towards the *modernisation of the paper* activities and expansion of the plastics division. It will also expand Brittain's equity capital base, and broaden and strengthen the range of Brittains' existing speciality paper products. The initial introduction was arranged by the Bank of England's Manchester office.

As a result of the package, ECI will be entitled to between 13.92 and 27.84 per cent. of the voting rights in Brittains. It will also have Board representation.

The additional funds are to be injected by the subscription of new share and loan capital by ECI. Brittains is to issue at par £1.5m. of new 8 per cent. Cumulative Convertible Redeemable Second Preference shares of £1, and £500,000 12 per cent. Convertibles Secured Loan 1995.

ECI will subscribe for £500,000 of the Preference shares (as well as for the whole of the Convertible Secured Loan). But existing shareholders and holders of the 10½ per cent. Convertible Debenture Stock 1991-96 of Brittains will be offered an opportunity to apply for the remaining £1m. of Preference shares on the same terms as ECI, which will take up any shares not applied for. How the application is to be arranged has not been decided.

Listing will be sought for the Preference shares on the Stock Exchange but the Convertible secured loan will not be quoted.

The Preference shares will be convertible between 1981 and 1990 inclusive into Ordinary shares of Brittains at the rate of three Ordinary shares for each £1 preference share.

Until the conversion rights have expired the Preference shares will carry voting rights on a basis corresponding to their voting entitlement after conversion, namely three votes for each Preference share. They will be redeemable at Brittains' option after the conversion period has expired.

The convertible secured loan will effectively have voting rights corresponding to those of the Preference shares; they will be secured by a floating charge over the assets of the Brittains Group and will be convertible between 1981 and 1990, at the rate of three Ordinary shares of Brittain for each £1 nominal of Secured Loan stock. It will be redeemable at Brittains' option after 1990, until 1995 when it will be finally repayable.

However, ECI's subscription is conditional on the completion of two transactions by the group.

One includes the acquisition of Wolvercote Paper Mill, near Oxford, from Oxford University Press for £1.7m., to be financed by an issue of Ordinary shares and a loan.

The other requires the sale of Brittains' 50 per cent. stake in Brittains-Riegel to its partner, Rexham Corporation of the U.S., for £1m. cash. In 1976 profits were £88,000, but had risen to £200,000 by last year.

Brittains' borrowing in the last financial year were unchanged on 1976 levels, short term borrowings running at around £3m.-£4m. while there was around £2m. of medium term debt.

With a stock market valuation of £3.2m. the group would have found it difficult to raise the necessary cash using conventional fund raising instruments such as a rights issue, especially since the shares are close to par value.

ECI's managing director Mr. Alan Barratt said last night that it was "a jolly good investment." He added, "it is important to see it as a package which encourages the development of Brittains' speciality paper activities, and helps with the modernisation programme. It will help them through the next two years."

Another announcement by ECI made yesterday concerned the investment earlier in the month in James Neill. ECI has exercised its option, outlined in the rights issue document of January 20, to acquire the rights of the directors, certain members of their families and certain trusts associated with them, and the James Neill pension fund. This amounts to 2,118,758 new Ordinary shares *which is equivalent to 11.8 per* cent. of the issued Ordinary share capital as increased by the rights issue.

Wilkinson Match holders concerned

Final details of the deal whereby Allegheny Ludlum Industries Incorporated, the U.S. specialist steels group, is to gain voting control of Wilkinson Match are still being formulated. A formal document is expected to be presented to shareholders before the end of next month for approval at meetings to be held probably in March.

In the meantime, institutional *shareholders in Wilkinson,* angered at the prospect of becoming minority holders in the group without having had the opportunity of considering the 260p a share paid to Swedish Match for a 29 per cent. stake just before Christmas, have been considering their position.

Discussions are known to have taken place between the various major holders and, while the institutions are "concerned" over the whole affair, they are also making it clear that they are not anxious to pre-judge the issue before the full details are known. The Wilkinson Match and Allegheny Boards, through financial advisers Hambros Bank, have given "certain assurances" over the future position of the minority holders.

Accountants Coopers and Lybrand are still in the process of preparing a full report on True Temper, the Allegheny subsidiary to be acquired by Wilkinson in exchange for sufficient shares to give Allegheny more than 50 per cent. of the Wilkinson votes.

It remains a possibility that the institutions, representing around 30 per cent. of the Wilkinson equity, may call for a hearing before the full Take-over Panel, headed by Lord Shawcross. The Panel's executive has already given the go-ahead to the deal.

SECOND BROADMOUNT

The Board of Second Broadmount Trust, the investment trust, company now subject to voluntary *liquidation proposals from the* unit trust group Chieftain, yesterday announced that it has been having discussions with various parties on alternative proposals. At this stage, it says, these discussions seem likely to produce results more beneficial to shareholders than the scheme which Chieftain has put up.

However, further information on the alternatives must wait until the Board considers that it has arrived at the most beneficial solution for all shareholders—and that is not likely to happen before January 31, when proxies in response to Chieftain's call for an extraordinary general meeting are due in. Chieftain is confident that it will receive proxies for the 10 per cent. of the equity which it needs to be able to require that an extraordinary general meeting should be held.

NEB/SYSTEMS DESIGNERS

Systems Designers and the National Enterprise Board have completed the agreement announced on October 20 under which the NEB would purchase 26 per cent. of the company's shares for £182,000. In addition NEB would provide a £300,000 loan facility which could be called upon in stages over five years.

VOLKER/DEW

The official offer document for Adriaan Volker Group's £7.05m. agreed cash bid for G. Dew was sent to shareholders yesterday. It contained Dew's official estimate of £1.5m. pre-tax profits for the year ended October 31, 1977.

Volker, a civil engineering group based in Rotterdam, had asked for the estimate as one of the conditions of the bid.

As part of the deal Dew is proposing a two-for-one scrip issue which would value the bid at 56½p a share on the increased capital—equivalent to 170p a share on existing capital. Volker has already received acceptances representing 54.7 per cent. of Dew's issued capital.

KUWAIT BUYS 8% OF MALAYALAM

The Kuwait Investment Office has emerged as one of the institutions which bought McLeod Russel's 32.8 per cent. stake in Malayalam Plantations. The K.I.O. has bought 8.09 per cent. of Malayalam as a cheap way of buying a stake in Harrisons and Crosfield. H and C is offering the equivalent of one H and C share *for every 11 Malayalam shares* in its current bid for Malayalam.

MIDLAND BANK

The Midland Bank has agreed to buy a 40 per cent. stake in First Oversea CVredit from Citibank which has recently been divesting itself of a number of joint international operations with the development of its own branches abroad.

The other shareholders, Oversea-Chinese Banking Corporation, Great Eastern Life Assurance, and Overseas Assurance Corporation, remain unchanged.

Midland intends further to develop FOCL's role in the Singapore finance industry.

● NEWS ANALYSIS—REED'S SALE OF NAMPAK

First major step in retrenchment

BY NICHOLAS COLCHESTER

Reed International's purchase of Nampak, the largest packaging company in South Africa, was completed in January 1976—well after Alex Jarrett took over from Lord Ryder as chairman of the company. It was a deal that went through in the transitional period before Reed's new top management fully realised the deep financial waters into which the multi-national paper company was sailing.

Yesterday Nampak, one of the last building blocks in Reed's ambitious expansion, was singled out as the first major disposal in Reed's retrenchment. In the current financial year, which ends in March, Reed has sold bits and pieces of its business worth a total of about £30m. If the negotiations for the sale of Reed's major South African interests to Union Corporation are successful, and if Reed gets a good price and is allowed to repatriate the cash on favourable terms, it may double that figure.

As the news was announced the South African management of Reed Corporation were stressing that the deal was "purely commercial." But at the parent company's head office in Piccadilly, the line between commercialism and politics was blurred. "It was no secret," said David Cormie, the finance director, "that if a suitable opportunity arose, Reed was interested in withdrawing from South Africa. The Reed management did not intend to invest further in South Africa and in such a situation the interests of head office and local management clearly diverged."

The deal makes commercial sense in that Reed can only sell businesses that are sellable. Yet in industrial terms the offer to sell Nampak does not conform with Reed's stated strategy of concentrating "on the mainstream of Reed's business." Nampak is a successful and profitable packaging company, and packaging is, and will remain, one of the main thrusts of Reed's business. To *this extent the decision to sell* such a company seems a clear reflection of Reed's view of the economy in which it operates.

Reed has run Nampak for only two years. Its bid for the company in November, 1975, was the cause of controversy. It paid two prices for its initial 52 per cent. stake: $4.25 a share to St. Regis, the paper company with a 31 per cent. holding, and Rand 3.40 to public shareholders—a sum total of £25m. It also undertook to buy a 10 per cent. stake from the then chairman of Nampak, Mr. Oscar Fruman, two years later at a price of *R5.45 a share.* Mr. Fruman exercised his right to sell the other day, at a very advantageous price to himself—the market price for Nampak was R3.00—and at a cost to Reed of £6m.

Originally Reed intended to put all its South African businesses into Nampak, but in the event it has only gone halfway in doing this. Last autumn it sold Nampak the parts of the external interests that fit in best with Nampak, consisting of four packaging companies and a company making charts for scientific recorders.

The terms of this deal transferred R8m. of Nampak's liquidity to Reed Corp. They were carefully scrutinised in Johannesburg because it was well known that Reed wanted to use the money for another of Reed's many cash-*hungry projects, the Stanger pulp* and paper venture. Stanger was conceived five years ago "back in the days when we were building pulp mills anywhere anybody wanted them" as the finance director put it. It is a joint project with the South African sugar company C. G. Smith. The idea was to use the steam from the sugar mill and the unused parts of the sugar cane to make coated papers. The plant came in stream in the second half of 1976, with the usual start-up problems, and into a fading market. The total investment in Stanger to date is about R70m., mainly financed with loans guaranteed by Reed and Smith. In the six months to September 1977 the mill generated a loss of R8m., or about £5m. Its debt is counted as a contingent liability in Reed International's balance sheet.

Given its unhappy record to date it is clearly advantageous for Reed to be able to package Stanger with Nampak—the one making the other palatable. Union Corporation is a mining, finance and investment house which has itself got important interests in paper and packaging. The Reed deal, if it comes off, will establish Union Corporation's dominance in this sector. The other big interests in the business are those of Anglo American, through Mondi Paper, and Barlow Rand, which recently bought out the South African paper interests of its long standing U.S. partner, Weyerhauser.

Union Corporation was itself embroiled in a major takeover battle three years ago in which Gold Fields of South Africa and the Afrikaner Group General Mining and Federal Mynbou competed for control. This was preempted for control. General Mining's success in gaining control put the prospective owner of Nampak firmly into Afrikaner hands.

Reed International is left with South African interests in building products—those of Twyfords and Key Terrain, which it could not readily merge into Nampak, and its paper merchanting interests—chiefly those of the Reed subsidiary Spicers. These businesses have a turnover in South Africa of about £30m. out of Reed's total turnover in South *Africa of £136m. Asked whether* these interests would be up for sale, David Cormie replied "I don't know: lets do one thing at a time."

In both Johannesburg and London there was total silence yesterday on the terms Reed might negotiate for its sale of the South African businesses.

The market value of Reed's holding in Nampak was R46m., or about £27m. But any speculation on the final amount is complicated by the terms on which Union Corporation will take over the loss-making and almost exclusively debt financed Stanger paper mill. It is also difficult to see what proportion of the cash Reed will be able to take out of South Africa without suffering the 32 per cent. discount on the securities Rand.

Reed's management is clearly *hopeful that a way round this* problem can be found and that Reed will emerge with a sum not far sort of the £31m. that it paid for its 62 per cent. stake in Nampak.

CLARK TO WIN WINTOUR

In an unusual ending to a bid battle, A. A. Clark looks like taking the day and winning control of Wintour Holdings, the vehicle hire group which was also being bid for by Stalkfast, a private company set up by five Wintour directors with the intention of taking over Wintour.

Stalkfast won irrevocable acceptance by Wintour's Board (which controls 17.17 per cent. of the shares) of its offer (worth 92½p in cash but with a share alternative also available) late in December after Clark had made two offers, the highest worth 88p in cash.

This did not deter Clark which had already won acceptances or options over 33 per cent. of the shares. It raised its offer yet again, this time to 104p.

At this level, and given the percentage of shares controlled by Clark, Stalkfast clearly decided that its own offer was less attractive than accepting Clark's. So with Takeover Panel approval it has withdrawn its offer and, wearing their hats as Wintour directors, the Stalkfast directors have switched their 17.17 per cent. of the shares to Clark.

CARLIOL/TYNESIDE

The tax problem outlined by *the Boards of Carliol Investment* Trust and Tyneside Investment Trust in December is still unresolved. The High Court has not yet been asked to approve the scheme of arrangement and amalgamation of the companies will not, therefore, be made effective on January 30, 1978, as previously hoped.

The directors, through their advisers, are urgently pursuing with the Inland Revenue the question of whether the scheme can proceed without risk of liability to ACT of some £5m. being incurred.

Meanwhile, payment of interest due for the half year ending January 31, 1978, on the convertible and debenture stocks of each company will be made on that date.

Should the scheme proceed appropriate amendments to its provisions following that terminal interest payment will be put before the court for approval.

As known the directors will not make the scheme effective if this risk of ACT assessment cannot be eliminated.

NORCROS/S.I.E.V.

Norcros has subscribed at par for two thirds of the share capital of S.I.E.V., a new company in France.

S.I.E.V., with an issued share capital of Frs.36m., manufactures and instals metal windows, curtain walling and steel structures and cranes.

The Norcros subscription of Frs.24m. (about £2.7m.) has been made by Frs.15m. in cash and the balance by conversion of its loan note of Frs.9m. being transferred to S.I.E.V. as consideration for the acquisition of Frs.9m. trade debtors and work-in-progress.

M. L. MEYER

Montague L. Meyer, timber merchants, has entered into an agreement with the shareholders of A. Dicken and Son (Tees-side) and Dicken's Mandals Timber under which MLM has been granted an option to acquire the whole of the issued share capital of these companies during April, 1978.

The companies trade as timber merchants and as retailers of timber and DIY products from freehold premises at Stockton-on-Tees, Cleveland.

In the event that MLM decides or is required to purchase the shares, the consideration for the purchase would be £2.4m., payable partly in cash and partly in Ordinary shares of Meyer.

At December 31, 1976, the net assets of the companies adjusted to include provisions for deferred tax, were £1.95m. and their profits before taxation for 1976 £406,000.

BIT/BLACK DIAMONDS

The offer by Black Diamonds Pensions for the 3.675 per cent. *Preference Stock of British* Investment Trust which was declared unconditional on December 12, 1977 will remain open at least until February 13, 1978.

Acceptances of the Preference offer have been received in respect of £1,382,439 nominal of Stock, representing 75.35 per cent. of the issued Preference stock.

FOTHERGILL AND HARVEY

Subsequent to the announcement on December 22, Fothergill and Harvey announces that contracts have now been completed Treatments a wholly-owned subsidiary of Acheson Industries (Europe).

The consideration is being satisfied by issue of 219,203 new shares in *Fothergill which have* been placed with various institutions to raise £185,000 after expenses.

MOORSIDE TRUST-ST. LAWRENCE

Merger negotiations still continue between Moorside Trust and London and St. Lawrence Investment but completion is held up pending clarification of certain tax matters relative to Moorside which are awaiting a hearing before the special commissioners.

MONEY MARKET

Signal on interest rates

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

The authorities gave a signal to the London money market yesterday that they do not wish to see a change in Bank of England Minimum Lending Rate this week.

This was the second obvious opportunity to send a message on interest rates on consecutive days, but although discount houses buying rates for three-month Treasury bills had pointed towards a cut in MLR since the beginning of the week, there had been no evidence of any pressure or enthusiasm for a fall of more than ¼ per cent. Therefore the Bank of England probably felt that there was no need to reinforce the signal by giving it on more than one day this week. The difficult conditions in the market and the firmness of overnight money, had even let to suggestions that MLR may have been unchanged without guidance from the authorities.

Day-to-day credit remained in very short supply, and the authorities gave the signal to the market by lending a small amount for seven days at Minimum Lending Rate of 6½ per cent., to eight or nine houses. Further help was given by lending an exceptionally large amount overnight at MLR, to the same number of houses.

Bank balances were a long way up overnight, and the market was also helped by a slight excess of Government disbursements over revenue payments to the Exchequer, and a slight fall in the note circulation. On the other hand there was a fairly large net take-up of Treasury bills, and repayment was made of the exceptionally large amount borrowed on Wednesday.

Discount houses paid 6-6½ per cent. for secured call loans for most of the day. In the interbank market overnight loans rose to 8 per cent. at the close.

Jan. 26 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
Overnight	—	6¼-8	—	—	—	7⅛	6-6½	—	—	—
2 days notice	—	—	6⅛	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅝-6⅞	6½	—	6⅛-6¾	7	6¼-6½	—	—	—
One month	6[illegible]-6½	6[illegible]-6[illegible]	6¼-6⅜	6⅝-6¼	6½-6¾	6⅞	5⅞-6	5[illegible]	6¼	6¾
Two months	6⅜-6⅛	6¼-6⅜	—	6½-6	6[illegible]-6[illegible]	—	5⅞	5¾	6⅓	6⅝-6¾
Three months	6[illegible]-6⅛	6[illegible]-6⅜	6[illegible]-6¼	6½-6	6¼-6½	6¾	5⅞	5¾-5[illegible]	6-6[illegible]	6½-6¾
Six months	6½-6[illegible]	6½-6[illegible]	6½	6⅝-6⅛	6⅝-6⅞	—	—	—	6[illegible]-6[illegible]	6½-6¾
Nine months	6¾-6[illegible]	6⅞-7⅛	—	7-6¾	7⅓	—	—	—	—	—
One year	6[illegible]-6[illegible]	7-7[illegible]	7	7¼-6⅞	7¼	—	—	—	—	—
Two years	—	—	8¼-8⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rate nominally three years 9[illegible]-9¼ per cent.; four years 10[illegible]-10¼ per cent.; five years 10¾ per cent. ϕ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 6-6[illegible] per cent.; four-month trade bills 6¾-6[illegible] per cent.

Approximate selling rate for one-month Treasury bills 5[illegible] per cent.; two-month 5[illegible]-5[illegible] per cent.; and three-month 5[illegible]-5¾ per cent. Approximate selling rate for one-month bank bills 6⅛ per cent.; two-month 6-6[illegible] per cent.; and three-month 5[illegible]-6 per cent. One-month trade bills 6¾ per cent.; two-month 6¾-6⅝ per cent.; and also three-month 6¾-6⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association) 6¾ per cent from January 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 4 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.7747 per cent.

Dow falls 9 on institutional selling

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Jan. 26.

THE HALF-HEARTED recovery attempts of the past few days on Wall Street finally gave way to institutional selling to-day, with stocks retreating sharply in moderate activity.

The Dow Jones Industrial Average fell 9.10 to a new low for the year of 763.34, and the NYSE All Common Index retreated 40 cents to \$49.07, while declines outpaced gains by 908 to 444. Trading volume increased to 19.80m. shares from yesterday's 18.69m.

Some analysts said expectations of a sharp rise in the weekly U.S. money supply figures, due after the market closed, contributed to the fall. However, other analysts commented that they expected only a moderate increase.

After the close, the Federal Reserve Bank of New York reported that the narrowly defined U.S. money supply (M1) rose \$800m. in the latest reporting week, while the broader M2 measure increased by \$1.4bn.

Analysts added that the action of the dollar, which firmed slightly in Europe and rose in New York to-day, apparently on short-covering, gave no real indication of reaching a bottom.

Among Institutional favourites under pressure, Sears lost 1 to \$24¼ and Eastman Kodak declined ¾ to \$45¾, both new 1977-78 lows. IBM fell 1½ to \$264½, McDonald's 1½ to \$44½, Disney 1½ to \$33, and E-Systems 1¼ to \$20¾.

General Electric eased ⅛ to \$45¼ despite higher fourth-quarter and annual profits, while Monsanto lost \$1¾ after reporting a sharp drop in fourth-quarter net.

Sun added ⅜ at \$38⅞ on higher earnings, while Becton Dickinson, which is resisting a take-over attempt by Sun, rose 1¼ to \$39½.

THE AMERICAN SE Market Value Index weakened 0.66 to 120.62 in a moderate business. Volume 2.12m. shares (2.56m.).

THURSDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
TRW	219,600	32	−⅜
Becton Dickinson	217,300	39½	+1¼
Athlone	212,200	16	—
Hewlett-Packard	200,800	67⅞	−⅜
Sears Roebuck	205,900	24¼	−1
Exxon	201,800	47⅜	−⅜
NCR	167,000	39¼	−1
Sony	149,500	7⅞	—
Digital Equipment	144,100	42	−1½
Johns-Manville	143,900	26¼	−2

OTHER MARKETS

Canada lower

Canadian Stock Markets were broadly lower yesterday after a fairly light business. Following a trading session in Toronto shortened by more than an hour by a snowstorm, the Composite Index registered a loss of 5.7 at 1,004.3, while Oils and Gas receded 10.9 to 1,364.2 and Metals and Minerals 12.3 to 810.6. On the Montreal market, Banks shed 2.66 to 230.38 and Papers 0.59 to 91.37.

PARIS—Bourse prices displayed a firmer inclination, helped by the slower rate of increase for December retail prices and supported by institutional investment buying.

Aquitaine advanced 7.9 to Frs.317, BSN Gervais Danone 18.5 to Frs.344, Carrefour 12 to Frs.1,212, and Michelin "B" 38 to Frs.1,090. Poclain, however, declined 3.8 to Frs.95.

The gold-linked 4.5 per cent. Government Loan came back 13.9 further to Frs.776.

BRUSSELS—Local shares presented a mixed appearance following another thin trade.

Solvay added 30 at BFrs.2,485 and Vieille Montagne 20 at BFrs.1,362, but Petrofina receded 25 to BFrs.3,725 and Arbed 20 to BFrs.1,980.

GERMANY—Share prices retreated on profit-taking.

Siemens came back DM3.70 in Electricals following denials that it plans to make a bonus share issue—the company's results were released too late to affect the market.

Hoechst led major Chemicals as much as DM1.70 lower, while Mercedes lost DM5.50 in weaker Motors.

Neton und Monierbau fell DM16 to DM187 following unconfirmed reports that the company faces liquidation problems.

Among Banks, Deutsche lost DM2.90, but Bayern Verein put on DM3 and Bayern Hypo were DM1 firmer.

Engineerings had GHH DM1.80 cheaper, while Kaufhof, in Stores, shed DM5.50.

Public Authority Bonds were steady and there was no net Bundesbank intervention.

AMSTERDAM — Mixed movements were recorded after quiet trading.

Unilever and Royal Dutch put on Fl.0.40 and Fl.0.90 in firmer-inclined Dutch Internationals.

KLM rose Fls. 1.70 awaiting the third-quarter figures, while other firm shares included Ahold, up Fl.0.70, and Pakhoed, Fls.2.20 higher. However, Van Ommeren shed Fl.1.00.

State Loans were lower.

SWITZERLAND—Stocks moved further ahead in very active Settlement Day trading, bolstered by heavy institutional demand.

Landis and Gyr, however, relinquished a little ground despite a proposed higher dividend and capital increase.

Swissair rose 17 to Sw.Frs.852 and Ciba Geigy 25 to Sw.Frs.1,155.

MILAN—A further decline in share prices occurred, as dealers awaited with caution the outcome of political negotiations on the formation of a new Government.

Against the trend, Olivetti Privileged gained another 4 to L789 and Snia Viscosa hardened 3 to L449.

SPAIN—Shares rallied a little in places, lifting the General Index 0.33 above the 1978 low to close at 94.89. However, Banco Atlantico remained under pressure and receded 6 points more to 207.

HONG KONG—Market lost further ground in fairly quiet trading.

Hong Kong Bank declined 20 cents to \$HK16.80 on overseas selling, while Jardine Matheson shed 30 cents to \$HK12.00. Hong Kong Land and Swire Pacific lost 10 cents each to \$HK6.60 and \$HK5.60 respectively, and Hutchison Whampoa were 5 cents down at \$HK3.55.

TOKYO—Market was in firm vein, reflecting fresh interest in Blue Chips. The Nikkei-Dow Jones Average rose 14.28 to 5,021.51, with volume amounting to 270m. shares (290m.).

Export-orientated Electricals and Motors moved ahead on buying by Investment Trusts, with Sony rising Y30 to Y1,790, TDK Electronics Y40 to Y1,500 and Nissan Motor Y16 to Y715.

AUSTRALIA — Stocks were easier for choice, with sentiment dampened by the Consumer Price figures.

BHP lost 4 cents to \$A5.32, while Carlton United Brewery declined 5 cents to \$A1.85, Myer 7 cents to \$A1.65, and Reckitt and Colman 20 cents to \$A3.60. ANZ receded 4 cents to \$A3.35 in Banks. Among Sugars, CSR shed 2 cents to \$A3.00, but Pioneer put on 3 cents to \$A1.25.

In the Mining sector, Central Norseman eased 10 cents to \$A7.70, while Hamersley lost 5 cents to \$A2.15 and CRA 3 cents to \$A2.20, but Oakbridge rose afresh by 4 cents to \$A1.86. Ampol Exploration picked up 4 cents to \$A1.29 in Oils.

JOHANNESBURG—Golds were quietly easier following a lower London Bullion price and light profit-taking. Heavyweight Randfontein fell 50 cents to R62.75, while Vaal Reefs were 40 cents down at R22.33.

Financial Minings, however, were quietly steady, while De Beers rose 10 cents to R5.65. Other Metals and Minerals were mainly slightly higher on balance, although Platinum shares were mixed following recent gains.

Indices

NEW YORK — DOW JONES

	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	Jan. 19	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	763.34	772.44	771.87	770.70	776.94	779.87	999.75 (3/1/77)	763.34 (26/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] (7/9)	[illegible] (26/1/78)	—	—
Transport	[illegible]	211.46	[illegible]	210.51	210.[illegible]	211.54	246.64 (13/6)	199.60 (26/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.14	[illegible]	105.75	[illegible]	105.77	105.76	118.67 (22/2)	104.67 (26/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	19,800	18,690	16,850	15,[illegible]	7,880	21,690	—	—	—	—

* Basis of index changed from August 24

	Jan. 20	Jan. 13	Jan. 6	Year ago (approx.)
Ind. div. yield %	5.92	5.93	5.80	4.27

STANDARD AND POORS

	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	Jan. 19	1977-78 High	1977-78 Low	Since compilat'n High	Since compilat'n Low
Industrials	97.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	118.92 (3/1/77)	97.47 (26/1/78)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	88.86	[illegible]	[illegible]	89.24	[illegible]	[illegible]	107.00 (3/1/77)	88.86 (26/1/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 25	Jan. 18	Jan. 11	Year ago (approx.)
Ind. div. yield %	5.22	5.13	5.18	3.87
Ind. P/E Ratio	8.62	8.74	8.65	11.07
Long Govt. Bond yield	8.20	8.17	8.01	6.13

N.Y.S.E. ALL COMMON

Jan. 26	Jan. 25	Jan. 24	Jan. 23	1977/78 High	1977/78 Low
49.07	49.47	49.48	49.5[illegible]	57.87	49.07

Rises and Falls

	Jan. 26	Jan. 25	Jan. 24
Issues traded	1,805	1,816	1,848
Rises	444	744	660
Falls	908	584	684
Unchanged	453	488	504
New Highs	[illegible]	[illegible]	11
New Lows	[illegible]	[illegible]	59

MONTREAL — Industrial, Combined; TORONTO — Composite; JOHANNESBURG — Gold, Industrial [illegible]

OVERSEAS SHARE INFORMATION

Inv. \$ Prem. at \$2.60 to £—73⅛% (77⅛%)

Effective rate (at \$1.9525)—32% (33⅛%)

NEW YORK; CANADA; GERMANY; TOKYO; AUSTRALIA; BRAZIL; OSLO; JOHANNESBURG; AMSTERDAM; BRUSSELS/LUXEMBOURG; PARIS; SWITZERLAND; COPENHAGEN; MILAN; STOCKHOLM; SPAIN; VIENNA — [illegible]

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax.

Source: Nikko Securities, Tokyo.

Securities Rand U.S.\$0.77¼

£ & \$ improve

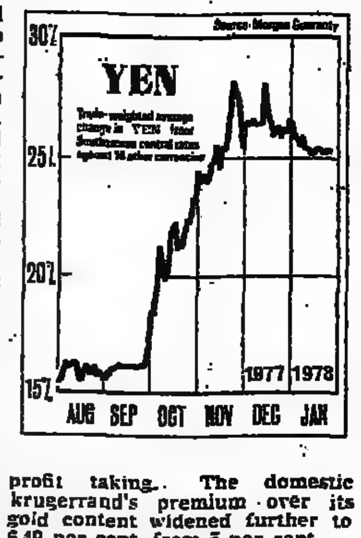
The U.S. dollar gained ground against other major currencies in the foreign exchange market yesterday, with only sterling maintaining its overnight level in terms of the dollar at the close. The pound opened at its best level of the day, at \$1.9530-1.9545, but fell to a low point of \$1.9460-1.9470 in the morning. It improved to around \$1.95 at mid-day, and finished at \$1.9520-1.9530, unchanged on the day.

Sterling's trade-weighted index was unchanged at 66.4 in early trading, and at noon, but closed at 66.5, the highest closing level since April, 1976. This is only 0.1 below the level touched at noon on January 4, when the pound almost reached the \$2 level.

Postponement of publication of the U.S. trade figures until next Monday was a factor behind the dollar's improvement in thin trading. The recent adverse weather conditions in the U.S. have created problems over the publication of the trade figures, which are expected to show another large deficit. If the money supply figures, published yesterday after London had closed, are not well received, these two factors may have put heavy pressure on the dollar. Announcement of the trade figures on Monday will now coincide with a speech by President Carter, in which he is expected to point out the need to reduce energy consumption. The latest trade figures, however bad, may help to underline his message.

The dollar's depreciation, on Morgan Guaranty figures, narrowed to 4.86 from 4.89 per cent.

Gold fell \$2 to \$175-175¾ on profit taking. The domestic krugerrand's premium over its gold content widened further to 6.49 per cent. from 5 per cent.



CURRENCY RATES

	Special Drawing Rights January 26	European Unit of Account January 26
Sterling	0.624020	0.631196
U.S. dollar	1.21659	1.23101
Canadian	1.34691	1.36695
Austria sch.	—	18.6350
Belgian franc	39.6973	40.1677
Danish krone	6.96863	7.05398
Deutschemark	2.56202	2.59407
Dutch guilder	2.74524	2.77843
French franc	5.73196	5.80288
Italian lira	1054.63	1067.95
Japanese yen	293.442	296.561
Norway krone	6.23748	6.30675
Spain peseta	97.8771	99.1306
Swedish krone	5.66383	5.72108
Swiss franc	2.40216	2.42735

EXCHANGE CROSS-RATES

Jan. 26	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.1063-68	44.65-75	6.45-46	4.101-108	93.30-15	105.60-90
New York	47.32-37	—	21.13-16	3.0540-0610	1.9450-9500	44.10-15	50.30-40
Paris	223.45-95	4.7055-7175	—	14.430-464	9.1840-2040	208.7-9.2	236.85-9.35
Brussels	15.47-61	32.55-60	6.91-93	—	63.50-68	14.42-46	16.53-59
London	4.11⅛-12⅛	1.9520-30	9.20⅛-21⅛	63.60-70	—	4.40⅛-41⅛	3.85-88
Ams'dam	107.12-17	2.2562-77	47.935-935	6.9135-85	4.3845-3895	—	114.325-375
Zurich	93.853-835	1.9720-40	41.852-912	6.0450-0549	3.8425-8534	87.384-491	—

U.S. \$ in Toronto U.S. \$=110.71-74 Canadian cents.
Canadian \$ in New York=90.22-30 cents. U.S. \$ in Milan 867.00-30.
Sterling in Milan 1692.00-1695.00.

EURO-CURRENCY INTEREST RATES*

Jan. 26	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss franc	W. German mark
Short term	6⅛-6⅜	6.7	6⅝-7	4⅞-5⅛	⅛-¼	3¼-3⅜
7 days notice	6⅜-6⅞	6⅜-7⅜	6⅞-7⅛	4⅞-5⅛	⅜-⅝	3¼-3⅜
Month	6⅜-6⅞	6⅝-7	7-7¼	4½-4⅜	¼-⅜	3-3⅛
Three months	6⅜-6⅞	6⅞-7¼	7⅜-7⅝	4½-4⅜	⅜-⅞	3-3⅛
Six months	6[illegible]-7[illegible]	7[illegible]-7[illegible]	7⅝-7⅞	4⅜-4⅜	1[illegible]-1[illegible]	3⅛-3¼
One year	7¼-7⅜	7[illegible]-7[illegible]	7¾-8	4[illegible]-5	1⅞-2	3¼-3⅜

Euro-French deposit rates: two-day 9⅞-10⅛ per cent.; seven-day 11-11⅛ per cent.; one-month 12⅛-12⅜ per cent.; three-month 12⅞-13 per cent.; six-month 13⅛-13⅛ per cent.; one year 13⅛-13⅜ per cent.

Long-term Eurodollar deposits: two years 8-8⅛ per cent.; three years 8⅛-8⅜ per cent.; four years 8⅛-8⅜ per cent.; five years 8⅜-8⅝ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.95-7.05 per cent.; three-month 7.20-7.30 per cent.; six-month 7.45-7.55 per cent.; one-year 7.75-7.85 per cent.

* Rates are nominal calling rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two days' notice for guilders and Swiss francs.

GOLD MARKET

	Jan. 26	Jan. 25
Gold Bullion (a fine ounce)		
Close	\$175-175¾	\$177-177¾
Opening	\$175¾-176⅛	\$176¾-17[illegible]
Morning fix'g	\$176.00 (£90.261)	\$177.00 (£90.788)
Aftern'n fix'g	\$175.80 (£90.098)	\$177.50 (£90.923)
Gold Coins, domestically		
Krugerrand	\$185¾-187¾ (£95¼-96¼)	\$186¼-18[illegible] (£95-96)
New Sov'gns.	\$54½-56½ (£28-29)	\$54½-56½ (£28-29)
Old Sov'gns	\$53¾-55¾ (£27½-28½)	\$53¾-55¾ (£27½-28½)
Gold Coins (internat'lly)		
Krugerrand	\$181½-183½ (£93-94)	\$182¼-18[illegible] (£93½-94½)
N'w Sov'gns	\$55-57 (£28¼-29¼)	\$55½-57½ (£28½-29½)
Old Sov'gns	\$54-56 (£27¾-28¾)	\$54¼-56¼ (£27¾-28¾)
\$20 Eagles	\$258¾-261¾	\$259¼-26[illegible]

FOREIGN EXCHANGES

Jan. 26	Bank Rates %	Day's Spread	Close
New York	6½	1.9460-1.9545	1.9520-1.9[illegible]
Montreal	7½	2.1670-2.1660	2.1595-2.1[illegible]
Amsterdam	4½	4.38-4.42	4.40¾-4.4[illegible]
Brussels	7½	63.50-63.75	63.60-63.[illegible]
Copenhagen	9	11.14½-11.18	11.16½-11.[illegible]
Frankfurt	3	4.08⅛-4.12⅛	4.11⅛-4.1[illegible]
Lisbon	13	78.00-78.75	78.05-78.[illegible]
Madrid	8	156.40-157.20	157.05-157[illegible]
Milan	11½	1,689-1,694	1,6[illegible]-1,6[illegible]
Oslo	6	9.98-10.02	10.00-10.[illegible]
Paris	9½	9.17-9.22	9.20⅛-9.2[illegible]

Rates given are for convertible francs. Financial franc [illegible]

OTHER MARKETS; FORWARD RATES — [illegible]

INTERNATIONAL FINANCIAL AND COMPANY NEWS

GHH hopes to maintain dividends this year

BY ADRIAN DICKS

OBERHAUSEN, Jan. 26.

WEST GERMANY'S largest engineering group, Gutehoffnungshuette Aktienverein (GHH) is cautiously hopeful that it can maintain in 1977-78 the DM6 per DM50 share dividend which will be proposed to the annual general meeting for 1976-77. Dr. Heinz Kraemer, the finance director, said here to-day.

The dividend proposed for last year, ended last June 30, is down from DM7 per share, but taking into account the new tax credit, will result in a higher cash payment to German shareholders of DM9.38.

Although the GHH management is unusually cautious in trying to predict how the second half of the current year will develop. Herr Manfred Lennings, the chairman, said he would "by no means exclude the possibility that domestic demand for capital goods would increase slightly during 1978." This would depend, he said, on an improvement in investment confidence, in which the most important element was the moderation of the rate of wage increases.

Herr Lennings said that with the recent revaluation of the Deutschemark against most other currencies, "our cost level has reached the point where it will no longer be accepted by foreign customers." GHH had moved over to very limited pricing of its products in dollars, he said, but suggested that this would not become general practice.

The GHH chairman admitted, however, that it was not yet possible to measure the precise impact on group orders of the dollar's decline. More and more, the GHH companies are concentrating on a few very large export orders whose circumstances are all different, he said. But because of this, competition for each order was increasingly great. One result would undoubtedly be a rise in the share taken by local subcontractors in each large export project, Herr Lennings added.

As GHH sees it, such adjustments to its terms of business are part of the battle to remain competitive, as is also the continuing role of barter deals in its trade with Eastern Europe. The group has set up a special company to handle the products obtained from such barter deals, and last year resold about DM350m. worth.

In 1976-77, GHH came off relatively well, with its group sales up 9 per cent. to DM12bn., and new orders during the business year up 16 per cent. to DM 13.5bn. Productivity measured by value added per employee rose 15 per cent. from DM46,500 to DM53,500.

Overseas and export sales were down 10.8 per cent. from the previous year, a development that Herr Lennings said was principally due to the timing of several large fixed plant construction contracts. However, he said GHH stood to benefit from the fact that its dependence on exports had lessened in the five years between 1971-72 and 1976-77, declining from 58.4 to 49.8 per cent. of total turnover.

Of these, the share taken by other industrial countries had fallen from 68 to 50 per cent., while that going to OPEC States had risen to 23.7 per cent. from 1.9 per cent. Comparing these with the figures for West Germany as a whole, he said GHH had been able to adjust its export patterns in such a way as to protect itself.

Herr Lennings based his qualified optimism for 1978 partly on the recovery in orders for capital goods that had taken place during the final quarter of last year. Among the major areas of the group's business which the chairman said could look forward to a profitable year are some branches of plant construction, trading and commercial vehicles—where the next major project is MAN's joint venture with Volkswagen to produce a 3-6 ton range of vans and trucks.

Higher Siemens earnings

BY JONATHAN CARR

BONN, Jan. 26.

SIEMENS, West Germany's leading electricals concern, proposes to pay an unchanged 16 per cent. dividend on net profits in the 1976-77 business year up to DM650m., from DM606m.

Because of the new corporation tax reform, this means that West German shareholders will receive DM12.50 (DM8 plus DM4.50 tax credit) on each DM50 share. A total of DM257m. will be required for the dividend payout (DM254m. in 1975-76), and DM154m. will be added to reserves of the parent company.

The profit figure implies a return on sales (already announced as DM25.2bn.) of 2.6 per cent., against 2.9 per cent. in the previous year. The company gives as one reason for the reduction, the consolidation for the first time of the power station construction company Kraftwerk Union (KWU) in its results.

Siemens now wholly owns KWU, having acquired the 50 per cent. stake previously held by AEG-Telefunken.

'Satisfactory' Holderbank result

BY JOHN WICKS

ZURICH, Jan. 26.

THE SWISS cement industry holding company, Holderbank Financiere Glarus AG, of Glarus, expects a "satisfactory" result for the past year. This is stated by the company's Board in the prospectus for a Sw.Frs.60m. (£15.7m.) bond issue being offered from to-day to February 1.

Holderbank, which last year had a net turnover of Sw.Frs.1.88bn., says that sales, cash flow and net profits all developed well in terms of local currencies in 1977, although the Swiss franc figures will be affected by the decline of the dollar and other currencies against the Swiss currency.

With regard to the development of business in various parts of the Holderbank group, the company says that there has been a slight improvement in the financial results of European subsidiaries and affiliates despite the state of the construction industry. A marked rise in turnover and an improvement in profits has been recorded in the U.S. and in the Middle and Far East, while companies in Canada and South Africa were subject to recessive tendencies.

During 1977, Holderbank strengthened its participation in the American concern Dundee Cement Company, the prospectus notes, and took up a holding in Cemento Cerro Blanco de Polpaico S.A., of Santiago de Chile.

John Valentine sale falls through

THE SALE of the John Valentine fitness clubs concern to the German-managed company Playa del Rey S.A., of Las Palmas, is not now to take place. Only last month it had been announced that the Spanish company would take over the Basle undertaking, John Valentine Holding, from its Swiss parents Sandoz AG and Globus.

A spokesman of the Sandoz concern said to-day that the first payment foreseen in the December takeover contract had not been made by Playa del Rey.

Credit Suisse claims

ZURICH, Jan. 26.

CREDIT SUISSE'S balance sheet for December 31 will contain a new valuation of its claims against Texon Finanzanstalt. These were originally entered into the balance sheet at Sw.Frs.1.7bn. at end-June last year but chairman Oswald Aeppli told an extraordinary meeting that this level was clearly too high.

KLM out of the red in third quarter

By Charles Batchelor

AMSTERDAM, Jan. 26.

KLM, Royal Dutch Airlines, increased its freight and passenger loadings in the third quarter of this year because of the U.S. ports strike and problems at some European airports. Net profit in the October to December quarter was Fls.25.7m. compared with a loss of Fls.18.8m. in the same period a year ago.

This brought net profit in the first nine months of the year ending on March 31 to Fls.172.5m compared with Fls.94.9m. the year before. Income continued to rise at a faster rate than costs, the airline reported in Amstelveen.

Revenue rose 12 per cent. in the quarter to Fls.666m. while costs, including depreciation, rose only 6 per cent. to Fls.636m. Revenue in the first nine months was 8 per cent. higher at Fls.2.18bn. while costs were 5 per cent. up at Fls.1.92bn.

Net profit per Fls.100 nominal share rose to Fls.7.08 in the third quarter from Fls.6.04. Taken over the first nine months profit per share rose to Fls.51.94 from Fls.26.94.

The figures for 1976-77 have been adjusted to allow for an extension of the period over which the company is writing off some of its aircraft, and for changed accounting procedures applied to some leased aircraft.

Traffic rose 19 per cent. in the quarter while production was 7 per cent. higher. Passenger traffic on scheduled flights rose 17 per cent. while freight and postal traffic were 30 per cent. and 11 per cent. higher respectively.

Charter traffic fell 26 per cent. however.

EUROBONDS

European Investment Bank goes well

By Mary Campbell

THE DOLLAR market was quiet yesterday with prices unchanged, dealers said. The European Coal and Steel Community's $30m. offering traded at 97½/8 after a 99 pricing. However, there was very little dealing in the issue.

In the sterling sector, the European Investment Bank offering which closed yesterday was said to be well oversubscribed.

A particularly interesting point about the subscription, however, was that it contained very little interest from U.K. investors—issues by the EIB are among the few external offerings in which British investors can put money free of dollar premium. This suggests that the future of the sterling Eurobond market will have to be based on non-British subscriptions.

AMERICAN NEWS

SEC holds fire on market proposals

By Jurek Martin, U.S. Editor

WASHINGTON, Jan. 6.

THE SECURITIES and Exchange Commission has decided to give only a fairly modest regulatory nudge in the direction of a national securities market in the U.S., its keenly awaited policy document on the subject, out to-day, revealed.

In essence, the SEC concluded that it was still not clear what form such a national market should take, and that progress towards it should be "evolutionary" rather than officially directed. The Commission warned the securities industry, however, that it would look askance at patent footdragging over the dismantling of restrictive regulations, or excessive delays in introducing technological improvements.

The only mandatory step it took to-day was to order that by May 1, the composite quotation system be in place. This requires individual exchanges to collect and disseminate to brokers quotations and quotation sizes for all reported securities.

The SEC also said that, on the basis of present knowledge, it could see no reason why two other facilities—an intermarket order routeing system and a universally available message switch enabling dealers to place orders in any market—should not be implemented by September 30.

But on the controversial issue of off-board trading restrictions, the SEC deferred any action until September 30 at the earliest. Although the policy statement said that the Commission did not want this to be construed that such current restrictions might be allowed to stay on exchange books, the SEC chairman, Mr. Harold Williams, told reporters that when the September deadline came round the SEC review might conclude that curbs should be ended immediately, or should be allowed to stay for a time.

In other words the SEC elected not to abolish in one fell swoop such restrictions as are embodied in Rule 390 of the New York Stock Exchange, which prohibits member firms from handling off-board transactions.

Those who wish to retain such rules claim that if they are ended, a few firms, such as Merrill Lynch, will speedily acquire even greater domination of the markets than they command at present. More generally, the securities industry has argued that to end rule 390 in particular, without having put in place a working national market system, would have the effect of inducing complete confusion in this business. The SEC delay, therefore, is likely to be welcomed.

"I don't think there is any question," Mr. Williams said, "that exchange-based restrictions in the context of a national market system are inappropriate," but he flatly refused to say when he thought they would formally be ended.

On any number of other technical questions associated with the creation of a national market system, the SEC suggested that further study was still necessary. These include both basic issues, such as who would regulate the market, to financial factors, such as the use of put and call options, and technological developments such as the creation of an electronic limit order book. However, the SEC did lay down several deadlines by which time the industry is expected to come up with proposals.

The SEC made it quite clear that two precise forms of national market had been ruled out: the first would have been simply to modify and unite the existing exchange markets, preserving in effect the hegemony of the New York Stock Exchange: this, the SEC said, would probably not serve the needs of as large and diverse a country as the U.S. The second would have involved the creation of a computer-based electronic national market system, which would take care of all orders, whether from the public or from market makers. This, in essence, the SEC deemed too extreme a change, with imponderable but perhaps destructive impact both on existing exchanges and on the manner in which securities trading is now conducted.

The SEC's basic philosophy, on the other hand, was to recognise "that the nation's securities markets are constantly evolving and that alternative means of achieving the goals of a national market system may be developed." The Commission's own perceived role is more that of the rough architect, drawing up a framework in which the securities industry could make evolutionary changes.

McDonnell Douglas peak order book

McDONNELL DOUGLAS, the aerospace group, boosted net revenues from $108.86m. in 1976, equal to $2.85 a share, to $122.96m., or $3.20 a share in 1977. Sales were unchanged at $3.54bn. for the year.

The results reflected a further quarter upturn in net profits from $28.37m., or 74 cents a share, to $34.26m., or 89 cents; on sales up from $988.6m. to $1.1bn.

In New York yesterday, the company said its firm order backlog as of December 31 was $4.6bn. compared with $3bn. at the end of 1976. Total backlog was a record $7bn. compared with the year-earlier total backlog of $5.9bn.

General Electric chief hits at tax proposals

BY JOHN WYLES

NEW YORK, Jan. 26.

A SHARP ATTACK on President Carter's proposals to tighten up on the taxation of American corporations' foreign earnings was delivered to-day by Mr. Reginald Jones, chairman and chief executive of the General Electric Company, when he announced a 17 per cent. increase in the company's net earnings for last year.

Although Mr. Jones was generally complimentary about the president's $24.5bn. tax cut proposals, he characterised the proposals affecting foreign income as "like unilateral disarmament in the battle for exports and the related jobs."

The administration is seeking congressional approval to phase out tax deferrals for export corporations created offshore for this purpose, and to end the indefinite deferral of tax on corporate profits earned and reinvested abroad.

Mr. Jones appeared quietly confident that Congress would veto these proposals, which, he said, "would seriously add to the tax burdens of U.S. companies in the competition for export business." The Government should be doing all it could to aid the success of foreign subsidiaries of U.S. corporations, he said, and he pointed out that "no other country in the world taxes foreign-source income before it is repatriated, and some, such as France and the Netherlands, do not tax it at all."

Despite this criticism, Mr. Jones was full of praise for the way in which the Carter White House had become "a great deal more open to suggestions from business during the second half of its first year in office." At his last meeting with the President on January 13, "I felt we had a real dialogue," said Mr. Jones.

General Electric also had some support for the administration's economic projections of a 4.5 to 5 per cent. real growth rate in 1978 and 1979. The company's economists, said Mr. Jones, were forecasting a real economic growth rate of 4.5 per cent. for 1978 and 1979.

In 1977 General Electric's unaudited earnings crossed the $1bn. threshold for the first time in the history of the world's largest manufacturer of electrical equipment. Net earnings of $1.088bn. or $4.79 a share were 17 per cent. up on 1976's $930.6m. Sales for last year were about $17.5bn., an increase of 12 per cent. on the year before. Fourth quarter earnings were $332m. or $1.46 a share, compared with $292.2m. or $1.29 a share.

Summarising the performance of the company's main sectors, Mr. Jones reported that consumer products and services had sales well ahead of 1976, with major appliances and air conditioning doing particularly well. Sales of industrial products and components were also well ahead of the previous year, and the ratio of earnings to sales had improved.

There had been a good improvement in power systems earnings from the "relatively low level" of 1976, but steam turbine generator earnings were down substantially because of the rescheduling of deliveries to suit customers' requirements, and the nuclear generator business continued to operate at a loss.

Technical systems and materials sharply improved the earnings rate, with engineered materials yielding the strongest gains.

Utah International, the mining subsidiary, reported higher earnings, but the company's investments in multi-line companies abroad showed higher sales and lower earnings, because the 1976 results had included the sale of the holding in AEG Telefunken.

Monsanto fall weakens shares

BY STEWART FLEMING

NEW YORK, Jan. 26.

THE SHARES of Monsanto, the fourth largest U.S. chemical company, slumped on the New York Stock Exchange to-day when the company announced a 54 per cent. decline in fourth-quarter earnings.

Separately, Union Carbide, the second largest U.S. chemical company, reported virtually unchanged fourth-quarter earnings of $1.68 a share.

Both Monsanto and Union Carbide have suffered badly in 1977 from the overcapacity in key sectors of the chemical industry and the associated low utilisation of capacity and weak pricing.

Monsanto's fourth quarter figures took share analysts by surprise, however, and the share price slumped this afternoon to $50⅜, a fall of $1⅛.

Monsanto said that fourth quarter earnings per share were 58 cents, compared with $1.27 for last year's fourth quarter. On sales of $4.6bn. (1976 $4.3bn.) Monsanto earned net profits of $275.3m. for the year ($7.46 a share) compared with earnings of $366.3m. ($10.05 a share) in 1976.

The company said that fourth quarter earnings were hit by pricing pressures on major petrochemicals, including styrene monomer and phenol. It added that major customers, particularly the car industry, had cut back on orders in the fourth quarter to adjust inventories.

In addition, it continued to report losses in its European textile operations. Low shipments of polyester filaments also caused domestic textile operations to report marginal fourth quarter losses.

Union Carbide's shares fell ⅛ to 38⅞ on its figures which were more in line with what the market was expecting for the year.

Union Carbide reported a net income of $385.6m. ($6.06 a share) compared with $441.2m. ($7.15 a share) in 1976. In the fourth quarter Union Carbide's earnings were $108.1m. ($1.68 a share) against $105.1m. ($1.69 a share).

The company suffered a 34 cents a share loss on foreign currency transactions in the quarter and 42 cents a share loss for the year.

Mr. William S. Sneath, chairman, said that 1977 was a year in which operating margins were under pressure. "There was strong resistance in world markets to price increases we needed to offset a continuing escalation in nearly all our costs," he claimed.

Papermakers deny charges

BY OUR OWN CORRESPONDENT

NEW YORK, Jan. 26.

FOURTEEN papermakers, including some of the largest companies in the industry, have been charged with fixing prices of corrugated cardboard containers and sheets east of the Rocky Mountains for the past 18 years.

The indictments have been handed down by a Federal Grand Jury in Houston, Texas and the companies named include International Paper, Continental Group, Hoerner-Waldorf and Weyerhauser, all of whom were charged with felony price-fixing violations.

The 14 companies had sales of the products totalling about $2.2bn. in 1974. The indictment charges that the defendants disclosed and received from each other the prices charged or quoted to buyers of the corrugated containers or sheets. It also alleges that the companies took steps to enforce compliance. If convicted, the companies charged with felony violations face a maximum fine of $1m. each.

But some firms have already denied the charges and said that they will fight the case. A spokesman for International Paper said the company believes that the charges are unfair and unwarranted and plans to vigorously defend itself and its employees. Four International Paper employees were amongst the 26 executives indicted.

The spokesman added that there is intense competition in the market and that customers have received exceptional values over the years.

AMC share of passenger car market slides

By Our Own Correspondent

NEW YORK, Jan. 26.

AMERICAN MOTORS, the U.S. small car producer, has limped into the new year with its car sales in the final quarter of 1977 down nearly 14 per cent., and profitability sustained by utility vehicles, principally the Jeep.

The company's financial results for the quarter, which is the first quarter of its accounting year, will strengthen speculation that American Motors will soon have little choice but to sell its passenger car manufacturing operation to a foreign producer, probably Japanese.

The company's market share of the passenger car market has fallen from 4.8 per cent. in 1975 to less than 2 per cent. Volume sales in the quarter ending December 31 fell from 48,788 the year before to 42,035, which means that AMC is falling short of the annual production rate of 200,000 vehicles which it needs in order to break even on its car manufacturing.

Net profit for the quarter was $1.9m. or 6 cents a share compared with $1.2m. or 4 cents a share. However, the 1977 figure includes $600,000 of tax credits, which have been carried forward and which are worth 2 cents per share.

Sales for the period were $559m. compared with $558m in the last quarter of 1976. The company's lifeblood is now drawn from its production of Jeeps, buses and gardening equipment.

Bell Canada slowdown

BY ROBERT GIBBENS

MONTREAL, Jan. 26.

BELL CANADA, the largest Canadian communications company now internationally listed, earned $C288.5m. on a consolidated basis last year, or $C6.05 a share, against $C289.5m. or $C6.50 per share on fewer shares outstanding in 1976. Volume was $C3.5bn. against $C3.1bn.

Fourth quarter earnings were $C1.67 a share against $C1.56 on revenue of $C936m. against $C807m.

The principal part of the company's business is the provision of telephone services in Ontario and Quebec.

Regulated telephone earnings in 1977 fell to $C4.73 per share from $C5.23 in 1976 because of a slowdown in the growth of long-distance and local service revenues.

This was clearly due to the effects of Canada's slow economic growth in the east.

Unconsolidated return on average common equity was 9.02 per cent. or well below the level regulatory authorities have said is acceptable. Next month Bell will apply for higher telephone rates.

Eaton lifts profits to record levels

By Our Own Correspondent

NEW YORK, Jan. 26

EATON CORPORATION, the international manufacturer of automotive components and construction equipment, pushed its net earnings 17 per cent. higher last year to establish a new record level for the company.

Although, as the company pointed out, some of the markets for its product outside the United States were "soft throughout the year," the near-record volumes of car production in the U.S. and Europe had a significant impact on sales, coupled with Eaton's additional penetration of the car component market.

Net profit for the year was $106.3m. or $6.10 per share, compared to $90.9m. in 1976, or $5.23 per share. Sales were $2.11bn. compared to $1.81bn.

Eaton's fourth quarter earnings were $26.3m. or $1.51 a share, as against $23.6m. or $1.36. The company said its fourth quarter results were depressed by 35 cents a share because of a $9.5m. foreign exchange loss.

A cost reduction programme and foreign exchange losses have raised Eaton's income tax rate from 50.6 per cent. in 1976 to 52.5 per cent., and the company says it will try to reduce this rate during the coming year.

Virtually all of Eaton's product lines have had a good year, especially heavy duty truck components, industrial lift trucks and power transmission systems. Eaton is reputedly still in the market for a major acquisition following its failure to acquire Carborundum Company with a $373m. bid last October.

Ashland abandons Corco interest

ASHLAND, Jan. 26.

MR. ORIN E. ATKINS, chairman and chief executive of Ashland Oil, indicated at to-day's annual meeting that Ashland is abandoning its interest in acquiring any stake in Commonwealth Oil Refining Company.

Ashland had an option to buy a controlling interest in Commonwealth for $50m., but it expired, unexercised, on November 30. However, Ashland has engaged periodically since that time in informal talks with Commonwealth.

Ashland Oil had provided crude oil for Commonwealth Oil's Puerto Rican refinery. Mr. Atkins said that Ashland's "endeavour to operate the Commonwealth Oil facility will be at best deferred, and probably forgotten."

AP-DJ

UAL pays more

IN SPITE of a fourth-quarter operating loss, United Airlines (UAL) is raising its quarterly dividend from 15 to 20 cents a share.

The company announced in Chicago an operating loss of 3 cents a share for the final quarter of 1977, against 15 cents in 1976. Total operating net loss was $698,000 against $3,563,000 previously, on revenues of $825.7m. against $744.4m. in 1976.

Operating profits for the whole of 1977, however, advanced from $19m. to $92.9m.—from 75 cents to $3.72 a share—on revenues up from $2.93bn. to $3.27bn.

Net figures for 1977 in both periods excludes an extraordinary gain of $45.3m. or $1.82 a share resulting from a debenture exchange, while the year's net includes investment tax credits equal to $1.70 a share.

Reuter.

Exxon investment plans

NEW YORK, Jan. 26.

EXXON CORPORATION has announced details of its previously disclosed four year capital and exploration investment plan of $24bn. The plan, for the years 1978 to 1981, includes $16bn. for energy exploration and development, $5bn. for the downstream areas of refining, marketing and marine, $2bn. for chemicals, and $1bn. for other activities.

AP-DJ

U.S. QUARTERLIES

AMERICAN STORES

Third Quarter	1977 $	1976 $
Revenue	965.9m.	885.4m.
Net profits	6.52m.	7.01m.
Net per share	1.29	1.33
Nine Months		
Revenue	2.8bn.	2.6bn.
Net profits	16.94m.	19.27m.
Net per share	3.21	3.67

CITY INVESTING

Fourth Quarter	1977 $	1976 $
Revenue	822.9m.	700.1m.
Net profits	28.3m.	19.9m.
Net per share	0.78	0.58
Year		
Revenue	3.1bn.	2.5bn.
Net profits	85.5m.	44.3m.
Net per share	3.01	1.37
Net share dil.	2.29	1.29

* Restated.

DELTA AIRLINES

Second Quarter	1977 $	1976 $
Revenue	508.6m.	450.4m.
Net profits	33.6m.	18.5m.
Net per share	1.68	0.93
Six Months		
Revenue	973.7m.	823m.
Net profits	60.5m.	36.4m.
Net per share	3.05	1.83

R.R. DONNELLEY AND SONS

Fourth Quarter	1977 $	1976 $
Revenue	189.7m.	164.7m.
Net profits	15.6m.	13.6m.
Net per share	0.84	0.73
Year		
Revenue	661.8m.	584.5m.
Net profits	49.2m.	41.7m.
Net per share	2.64	2.23

INTERLAKE INCORPORATED

Fourth Quarter	1977 $	1976 $
Revenue	201.1m.	186.6m.
Net profits	5m.	9.4m.
Net per share	0.86	1.60
Year		
Revenue	766.6m.	708.9m.
Net profits	18.7m.	37.9m.
Net per share	3.17	6.61

KAISER RESOURCES

Fourth Quarter	1977 $	1976 $
Revenue	72.7m.	71.9m.
Net profits	13.0m.	14.3m.
Net per share	0.49	0.54
Year		
Net profits	57.3m.	52.4m.
Net per share	2.14	1.98

LOUISIANA-PACIFIC CORP.

Fourth Quarter	1977 $	1976 $
Revenue	212.6m.	165.3m.
Net profits	14.5m.	13.2m.
Net per share	0.52	0.48
Year		
Revenue	784.5m.	562.3m.
Net profits	60.1m.	40.4m
Net per share	2.19	1.48

MARATHON OIL

Fourth Quarter	1977 $	1976 $
Revenue	1.3bn.	1.1bn.
Net profits	57.1m.	59.2m.
Net per share	1.89	1.97
Year		
Revenue	4.65bn.	3.85bn.
Net profits	196.9m	195.8m.
Net per share	6.54	6.52

MISSOURI PACIFIC RAIL

Fourth Quarter	1977 $	1976 $
Revenue	290.4m.	259.5m.
Net profits	36.6m.	23.6m.
Net per share	2.71	1.80
Year		
Revenue	1.13bn.	1.01bn.
Net profits	108.9m.	68.7m.
Net per share	8.08	5.40

NAT. DISTILLERS AND CHEM.

Fourth Quarter	1977 $	1976 $
Revenue	432.5m.	402.3m.
Net profits	23.2m.	21.5m.
Net per share	0.89	0.83
Year		
Revenue	1.59bn.	1.5bn.
Net profits	85m.	90.3m.
Net per share	3.27	3.54

PET. INCORPORATED

Third Quarter	1977 $	1976 $
Revenue	305.5m.	395.9m.
Net profits	9.3m.	8.8m.
Net per share	1.38	1.32
Nine Months		
Revenue	818.9m.	799.3m.
Net profits	21.1m.	19.8m.
Net per share	3.10	2.93

PFIZER INC.

Fourth Quarter	1977 $	1976 $
Revenue	556.6m.	502.3m.
Net profits	49.1m.	44.5m.
Net per share	0.70	0.63
Year		
Revenue	2.0bn.	1.9bn.
Net profits	175.4m.	159.9m.
Net per share	2.50	2.28

SHELL CANADA

Fourth Quarter	1977 $	1976 $
Net profits	45.1m.	38.8m.
Net per share	0.45	0.39
Year		
Revenue	2.38bn.	2.14bn.
Net profits	154.8m.	135.3m.
Net per share	1.54	1.35

SOUTHLAND CORP.

Fourth Quarter	1977 $	1976 $
Revenue	665.5m.	547.2m.
Net profits	10.2m.	9.3m.
Net per share	0.51	0.47
Year		
Revenue	2.54bn.	2.12bn.
Net profits	47.6m.	40.3m.
Net per share	2.37	2.03

SUN COMPANY

Fourth Quarter	1977 $	1976 $
Revenue	1.5bn.	1.6bn.
Net profits	93m.	95m.
Net per share	1.76	1.77
Year		
Revenue	6.55bn.	5.5bn.
Net profits	362m.	336m.
Net per share	7.27	[illegible]

UNION OIL

Fourth Quarter	1977 $	1976 $
Net profits	81.1m.	86.4m.
Net per share	1.79	[illegible]
Year		
Revenue	5.75bn.	5.5bn.
Net profits	334.2m.	298.8m.
Net per share	7.30	6.38

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Steel downturn hits Ahlsell earnings

BY WILLIAM DULLFORCE STOCKHOLM, Jan. 25.

AHLSELL, the Swedish building material wholesaler and steel stockholding group, reports a 20 per cent. fall in pre-tax earnings to Kr.40.3m. (£4.5m.) for the eight months ending November 30. Turnover, excluding VAT charges, rose 12 per cent. to Kr.1.34bn. (£150m.).

The low prices prevailing throughout western Europe meant that the group's steel trading failed to cover its costs, but managing director Sven Ostling reports that losses were limited by switching out of the normal commercial grades.

More remarkably, despite the low level of activity in Swedish building, the group's piping, heating and sanitary equipment division, which accounts for over half of turnover, maintained both sales volume and earnings. Ahlsell increased its share of a declining market.

Mr. Ostling anticipates no changes in sales and profit performance during the remaining four months of the financial year. This implies earnings for 1977-78 of around Kr.53m., compared with Kr.67m. for the previous financial year and a turnover of Kr.2.1bn.

Trusts lift dividends

BY OUR NORDIC CORRESPONDENT STOCKHOLM, Jan. 26

REPORTING their preliminary 1977 results this week, three Swedish investment trusts have shown slight increases in operating income and propose to increase shareholders' dividends. The values of all three share portfolios, however, fell in line with the general decline last year in prices on the Stockholm Stock Exchange.

Swedish investment companies are legally obliged to pass on 80 per cent. of their annual dividend income to their shareholders. All three companies are linked to Skandinaviska Enskilda Banken.

The largest, Custos, shows a 15.7 per cent. drop in the value of its stock exchange investments to Kr.823m. (£91.5m.). This compares with a 16.2 per cent. drop in the Affarsvarlden General Index for the Stockholm Exchange during 1977. Income from dividends and interest rose marginally, to Kr.41.5m. and the Board proposes to increase shareholders' dividend from Kr.7.25 to Kr.7.50 a share.

The Providentia Board recommends a Kr.1 increase in dividend to Kr.9.50 after a Kr.4.4m. rise in income to Kr.44.1m. At Kr.743m., its share portfolio showed a 20 per cent. fall in value over the year.

The investor portfolio declined 21 per cent. to Kr.734m., while income from dividends and interest rose by Kr.2.1m. to Kr.44.6m. The Board proposes to pay shareholders Kr.9.50 a share against Kr.9.25 in 1976.

Trust Bank rights issue will double equity

BY RICHARD ROLFE JOHANNESBURG, Jan. 26.

THE BANK HOLDING Group Bankorp, which has 60 per cent. of the embattled Trust Bank and is the banking arm of the Sanlam Life Society, is proceeding with the next phase of the Trust Bank rescue by means of an R25m. rights issue. In a circular to Trust Bank shareholders published to-day, it has been announced that the offer will consist of 50m. 11.5 per cent. cumulative preference shares, automatically convertible into Trust Bank ordinary shares by December, 1984, with an option to convert in December of 1982 or 1983. As Trust Bank currently has 47m. ordinary shares in issue, its ultimate equity capital will more than double.

Bankorp will underwrite the issue free of charge, but a second leg of the operation is scheduled once it is known what percentage of the Trust Bank minority take up their rights. This is a rights issue in Bankorp itself, which will be underwritten by Sanlam, in turn holding 57 per cent. of Bankorp.

The objective all along has been to transfer R25m. from Sanlam via Bankorp into Trust Bank, where the funds are needed to restore capital ratios. Sanlam's actual commitment will be less than R25m. to the extent that the Trust Bank and Bankorp minorities exercise their rights.

The choice of the unusual designation, automatically convertible preference shares, is because Sanlam and Bankorp had to be seen to be putting new equity into Trust Bank rather than loan capital or conventional preference shares, neither of which would have degeared Trust Bank's ratios. The Registrar of Financial Institutions has indicated that the automatically convertible preference shares will be accepted as equity while giving the providers of the capital a return on their funds in circumstances in which ordinary dividends are improbable.

The 1984 conversion date has been chosen because Trust Bank ordinary shares, now 40c., are not expected to pay a dividend until then. But the option to convert earlier has been supplied in case Trust Bank recovers more rapidly than now seems likely.

Matsushita EW advance

TOKYO, Jan. 26.

MATSUSHITA Electric Works, the manufacturer of electrical appliances, has announced a 13.8 per cent. increase in after-tax profits, to Y10.81bn., in the year to November 30, from Y9.50bn. the previous year.

Sales increased 9.7 per cent. to Y367.59bn., from Y335.09bn.

An unchanged dividend of Y10 has been declared.

Shiseido makes more

SHISEIDO, the leading Japanese manufacturer of cosmetics, has reported a rise of 9.7 per cent. in net profits for the year to November 30 to Y9.380bn., from Y8.547bn.

Sales increased 9.6 per cent. to Y250.571bn. from Y228.540bn.

The dividend is unchanged at Y10.

For the current year, the company forecasts net profits of Y9.6bn., on sales of Y268bn.

Agencies

Island Dyeing falls back in first half

BY DANIEL NELSON HONG KONG, Jan. 26.

ISLAND DYEING and Printing fell back to around its 1975 position with an unaudited loss of HK$404,000 for the six months to September 30, and again has declared no interim dividend. A loss of HK$424,515 was made in the equivalent period of 1975, followed by a half-year pre-tax profit of HK$3.54m. in 1976, although no dividend was paid because of uncertain demand.

Turnover was down from HK$73.94m. to HK$56.71m. and the company blamed the downturn on the strength of the Hong Kong dollar, reduced demand, a rise in internal domestic costs and uncertainties as a result of the recent lengthy textile negotiations between the colony and the EEC.

The company also said that it expected to show a profit in the second half, helped by the current low level of inventories in Europe and the U.S. after good christmas sales. Island Dyeing is 40 per cent. owned by C. Itoh, of Japan.

Setback at Mutual Maritime

A SIGNIFICANT fall in profits for the year to March 31 has been forecast by Mutual Maritime Holdings, a shipping concern combining local and Japanese interests, which made a net profit of HK$3 12m. in 1976, up from HK$5.49m. But the company expects to make a profit and pay a final dividend.

Like many Hong Kong shipping concerns, most of its vessels are on charter to Japanese companies, and there is concern in the colony that the trouble-hit Japanese shipping industry may ask for a renegotiation of contracts.

A major partner in the formation of Mutual Maritime in 1973 was Japan Line, which is currently seeking a debt rescheduling which could involve fleet reduction.

* * *

HONGKONG LAND'S wholly-owned subsidiary Hongkong Land (Hawaii) is to purchase the Davies Pacific Center, a 23-storey office-commercial complex in Honolulu, from Theo. H. Davies for an undisclosed cash sum.

Increased profits forecast by KDB

HONG KONG, Jan. 26.

KOREA DEVELOPMENT Bank (KDB) expects 1978 net income to rise to between $70m. and $80m., from $62.7m. in 1977, Kim Woun Gie, the bank's governor, said on the occasion of the formal opening of the bank's representative office here.

Mr. Kim said that the bank's growth would reflect the continued expansion of the South Korean economy, which he said would show real growth of at least 10 per cent. during 1978.

The bank, which acts as a channel for funding major projects and corporations in South Korea, has no immediate plans to borrow large amounts of money from foreign commercial banks, he said. Instead, Korea Development Bank is trying to borrow $110m. from the World Bank and $50m. from the Asian Development Bank (ADB). In addition, he said, the bank recently borrowed Y10bn. from Japanese lenders, and that it expects the Bank of Korea, South Korea's central bank, to deposit another $100m. in the KDB.

As of December 31, KDB's external debts included $190m. in syndicated loans from foreign banks, $163.8m. in bonds, and $339.1m. in credits from multilateral agencies, such as the World Bank and ADB.

CLAL Inds. growth seen

By L. Daniel

CLAL INDUSTRIES — a conglomerate of 32 plants, subsidiaries of or owned by CLAL Investment Company — expects its sales this year to rise by 57 per cent., to the equivalent of £116m., with most of the expansion foreseen in the fields of metals and foodstuffs, while output of its textile plants is seen as unchanged.

Earnings (before tax and rights of minority shareholders) are seen as rising to £11.6m., which would constitute an increase of 40 per cent. on 1977.

The level of earnings and the mobilisation of capital have resulted in substantial investments in equipment and research (particularly in the fields of electronics and solar energy). It will also enable CLAL Industries to acquire new enterprises, including Government-owned ones which the Finance Ministry may decide to offer for sale.

MEDIUM TERM FINANCE

Hydro Quebec loan

BY FRANCIS GHILES

THE $1.25bn. eight and a half years loan for Hydro Quebec, carrying a spread of ¾ per cent. over the inter bank rate, was signed in London yesterday. The seven leading Canadian banks are joint lead managers with Bank of Montreal acting as agent and co-ordinating bank. The proceeds will help finance the James Bay hydro electric project.

Proof of the market's diminished appetite for Latin American credit is clearly shown by the increase in the amount of the loan to Panama, from $150m. to $170m., due to oversubscription of management positions. Lead manager is First Chicago.

Meanwhile, Libra has arranged a $15m. private placement for the Argentine state oil company, Yacimientos Petroleos Fiscales. Terms are undisclosed.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	96	96½
AMEV 8pc 1987	95½	96½
Australia 8½pc 1992	95	95½
Australian M. and S. 9½pc 1992	97½	98¼
Barclays Bank 8½pc 1992	96½	97½
Bowater 9½pc 1992	96½	97½
Can. N. Rwy. 8½pc 1986	95½	96½
Credit National 8½pc 1986	97½	98½
Denmark 8½pc 1984	99½	100½
ECS 9pc 1993	97	98
ECS 9½pc 1997	96½	97
EIB 8½pc 1992	98½	99
EMI 9½pc 1989	97½	98½
Ericsson 8½pc 1989	96½	97
Esso 8pc 1986 Nov.	99½	100½
Gt. Lakes Paper 8½pc 1984	99	99½
Hamersley 9½pc 1992	100½	101
Hydro-Quebec 9pc 1992	95½	96
ICI 8½pc 1987	96½	97
ISE Canada 9½pc 1986	101½	102½
Macmillan Bloedel 9pc 1992	96½	97
Massey Ferguson 9½pc 1991	102	102½
Michelin 9½pc 1988	100½	101½
Midland Int. Fin. 8½pc 1992	96½	97½
Nat. Coal Board 8pc 1987	94½	95½
Nat. Westminster 9pc 1986	102½	103
Newfoundland 9pc 1989	99	100
Norges Komm. Bk. 8½pc 1992	97½	98½
Norpipe 8½pc 1989	95½	96½
Norsk Hydro 8½pc 1992	97½	98
Oslo 9pc 1988	100½	101
Ports Autonomes 9pc 1991	98½	99½
Prov. Quebec 9pc 1995	95½	96½
Prov. Saskatch. 8½pc 1986	97½	98½
Reed Intnl. 9pc 1987	94½	95
RHM 9pc 1992	94½	95½
Selection Trust 8½pc 1989	93½	94½
Skand. Enskilda 9pc 1991	97½	98
SKF 8pc 1987	92½	93
Sweden (K'dom) 8½pc 1987	93	93½
United Biscuits 9pc 1989	98½	99
Volvo 8pc 1987 March	92½	93½

NOTES	Bid	Offer
Australia 7½pc 1984	94½	95½
Bell Canada 7½pc 1987	94	94½
Brit. Columbia Hydro 7½pc 1985	97½	98½
Can. Pac. 8½pc 1984	98½	99½
Dow Chemical 8pc 1986	97½	98½
ECS 7½pc 1982	95½	96½
ECS 8½pc 1989	96	96½
EEC 7½pc 1982	96½	97½
EEC 7½pc 1984	95½	96½
Enso Gutzeit 8½pc 1984	96	97
Gotaverken 7½pc 1982	97½	98

	Bid	Offer
Kockums 8pc 1983	97½	98
Michelin 8½pc 1983	99½	100½
Montreal Urban 8½pc 1981	99	99½
New Brunswick 8pc 1984	98	98½
New Bruns. Prov. 8½pc 1983	101½	102½
New Zealand 8½pc 1986	97	97½
Nordic Inv. Bk. 7½pc 1984	95½	96½
Norsk Hydro 7½pc 1982	97½	98
Norway 7½pc 1982	96½	97½
Ontario Hydro 8pc 1987	94½	95
Singer 8½pc 1982	99½	100½
S. of Scot. Elec. 8½pc 1981	99½	101½
Sweden (K'dom) 7½pc 1982	97½	98
Swedish State Co. 7½pc '82	96	96½
Telmex 9½pc 1984	95	97½
Tenneco 7½pc 1987 May	97	93½
Volkswagen 7½pc 1987	93½	94

STERLING BONDS	Bid	Offer
Courtaulds 9½pc 1989	96½	97
ECS 9½pc 1989	100½	101
EIB 9½pc 1992	97½	98½
Finance for Industry 9½pc 1987	94½	96½
Fisons 10½pc 1987	104	105½
Total Oil 9½pc 1984	95	95½

DM BONDS	Bid	Offer
Austria 6½pc 1983	105	106½
BFCE 7pc 1987	104½	105½
Denmark 6½pc 1983	104½	105½
EIB 6½pc 1984	103½	104½
Grand Met. 7pc 1984	101½	102
Hydro-Quebec 6½pc 1987	[illegible]	[illegible]
ICI 6½pc 1987	[illegible]	[illegible]
Montreal 7pc 1987	102½	103
Norges Gas 7pc 1989	104	104½
Norsk Hydro 6½pc 1989	104½	105½
Norway 5½pc 1983	101½	102½
Shell 6½pc 1989	[illegible]	[illegible]
Spain 6½pc 1984	104½	[illegible]
Sweden 6½pc 1984	101½	105½
World Bank 6½pc 1987	103½	104½

FLOATING RATE NOTES	Bid	Offer
Bk. of Tokyo 1984 7½pc	99½	99½
BFCE 1984 7pc	99	99½
BNP 1983 6½pc	98½	98½
CCF 1983 6pc	97½	97½
CGMF 1984 6½pc	97½	98
Creditanstalt 1984 7pc	98½	99
Credit Lyonnais 1982 6½pc	97½	99½
DG BANK 1982 7½pc	98½	100
GZB 1981 7½pc	100½	100½
Intnl. Westminster 1984 7½pc	99½	99½
Lloyds 1983 7½pc	[illegible]	100½
LTCB 1982 6½pc	99½	99½
Midland 1982 8pc	[illegible]	[illegible]
Midland 1987 7½pc	[illegible]	[illegible]
OKB 1983 6½pc	99½	99½
SNCF 1985 6½pc	[illegible]	[illegible]
Stand. & Chart. 1984 6½pc	99½	99½
Wms. and Glyn's 1984 7pc	99½	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	[illegible]	[illegible]
Ashland 5pc 1988	[illegible]	[illegible]
Babcock & Wilcox 6½pc '97	[illegible]	[illegible]
Beatrice Foods 4½pc 1992	[illegible]	[illegible]
Beatrice Foods 6¾pc 1992	[illegible]	[illegible]
Beecham 6½pc 1992	[illegible]	[illegible]
Borden 5pc 1992	[illegible]	[illegible]
Broadway Hale 4½pc 1987	[illegible]	[illegible]
Carnation 4pc 1987	[illegible]	[illegible]
Chevron 5pc 1988	[illegible]	[illegible]
Dart 4½pc 1987	[illegible]	[illegible]
Eastman Kodak 4½pc 1988	[illegible]	[illegible]
Economic Labs 4½pc 1987	[illegible]	[illegible]
Firestone 5pc 1988	[illegible]	[illegible]
Ford 5pc 1988	[illegible]	[illegible]
General Electric 4½pc 1987	[illegible]	[illegible]
Gillette 4½pc 1987	[illegible]	[illegible]
Gould 5pc 1987	[illegible]	[illegible]
Gulf and Western 5pc 1988	[illegible]	[illegible]
Harris 5pc 1992	[illegible]	[illegible]
Honeywell 6pc 1986	[illegible]	[illegible]
ICI 6¾pc 1992	[illegible]	[illegible]
INA 6pc 1997	[illegible]	[illegible]
Inchcape 6¾pc 1992	[illegible]	[illegible]
ITT 4½pc 1987	[illegible]	[illegible]
Jusco 6pc 1992	[illegible]	[illegible]
Komatsu 7½pc 1990	[illegible]	[illegible]
J. Ray McDermott 4¾pc '87	[illegible]	[illegible]
Matsushita 6½pc 1990	[illegible]	[illegible]
Mitsui 7½pc 1990	[illegible]	[illegible]
J. P. Morgan 4½pc 1987	[illegible]	[illegible]
Nabisco 5½pc 1988	[illegible]	[illegible]
Owens Illinois 4½pc 1987	[illegible]	[illegible]
J. C. Penney 4½pc 1987	[illegible]	[illegible]
Revlon 4½pc 1987	[illegible]	[illegible]
Reynolds Metals 5pc 1988	[illegible]	[illegible]
Sandvik 6½pc 1988	[illegible]	[illegible]
Sperry Rand 4½pc 1987	[illegible]	[illegible]
Squibb 4½pc 1987	[illegible]	[illegible]
Texaco 4½pc 1988	[illegible]	[illegible]
Toshiba 6½pc 1992	[illegible]	[illegible]
Union Carbide 4½pc 1982	[illegible]	[illegible]
Warner Lambert 4½pc 1987	[illegible]	[illegible]
Warner Lambert 4½pc 1988	[illegible]	[illegible]
Xerox 5pc 1988	[illegible]	[illegible]

Source: Kidder, Peabody Securities.

The Property Market

BY JOHN BRENNAN

Trafalgar's '4 to 6%' teaser

Trafalgar House's annual general meeting in London yesterday provided property analysts with plenty of imaginative hints, but few solid facts. A positive orchestra of sliderules will be number crunching their way through Nigel Broackes' comment about having waited to sell investment properties until the market gave a buyer a yield of between "4 and 6 per cent."

How can the analysts reconcile that yield range with confirmation that the sale of two City of London properties, Billiter Buildings and Leadenhall House, will bring Trafalgar around £40m.?

The answer is that they cannot, yet.

Trafalgar plans to publish details of the sale of the two buildings within the next few weeks. Until then the market will have to content itself by speculating on all the possible yield variations it can weave out of meagre facts.

Billiter Buildings will produce £2.2m. rent this year. And at, say, £15 a square foot, Leadenhall House (the kind of property that would appeal to Norwich Union) would have a rent roll of just under £1.7m. Trafalgar shares Leadenhall with two, roughly equal partners—the Crown and Church Commissioners—and so it could be that Trafalgar's share of the two rents is around £2.8m., £40m. proceeds would represent an overall yield of around 7 per cent. But things are not that simple.

There are too many missing pieces in this financial jig-saw to give a clear picture. Without an accurate rent roll for Leadenhall; without an exact figure for Trafalgar's share in the block; without knowing how much, if any, equity in either building was bargained away when the schemes were financed; and without an accurate figure for the group's net sales proceeds, any attempt to use the sales as more than a very broad guide to yields would be misleading.

That said, confirmation of the sales, and Mr. Broackes' forecast of a further £40m. to £50m. of investment property sales this year, do underline the current strength of the investment market.

The group has now identified two of the three buildings making up the £61m. of properties that have been sold, or on which terms have been agreed. By a process of elimination the third block looks certain to be one of Trafalgar's City developments. The Whitbread scheme is less central, larger and so less likely than the 150,000 square feet Wine Office Court development. Wine Office has been pre-let, ahead of next year's completion, to accountants' Touche Ross. A rental of around £1.3m. a year would imply, at £20m., a yield of just over 6.5 per cent. And for a block of this size, uncompleted, if pre-let such a yield would be very impressive. But again there are no hard facts to work with. Trafalgar will have an avid audience within the investment market when it finally reveals all.

Haslemere Estates' refurbishment project for The Equitable Life Assurance Society in Theobald's Road, W.C.1, is now three-quarters let. Walker Son & Packman and Savills, joint sole agents, had been asking around £7 a sq. foot for the 21,000 sq. foot Georgian row facing Gray's Inn. In the event, three of the four office conversions have been now let for just under £6.50 a sq. foot and discussions are in progress over the remaining space, 8,095 sq. foot of offices in number 12-14 offered at £50,000 a year.

Reddie and Grosse, the patent agents, advised by Farebrother and Ellis, took up their 6,675 sq. foot offices in 16-18 last year. Now Chestertons have completed arrangements for the underwriting agents Hinton, Hill and Coles (Agencies) to move into the 2,254 sq. foot at No. 20. It is understood that No. 22, the house where Benjamin Disraeli was born in 1804, has been taken as the London office of the U.S. group C.T.I. Dominion Title Insurance Company. All the space has gone close to the revised asking rents of £6.50 a sq. foot on standard 25-year leases with five-year reviews.

EPIC bails out of Brussels

Shareholders of Estates Property Investment Company were able to breath a sigh of relief on Wednesday. After nearly 18 months delay the EEC finally agreed to lease virtually all of the conference hall centre planned for EPIC's Brussels site. This fulfils the prime condition of EPIC's 1976 agreement to sell 90 per cent. of the site to a financial consortium led by Belgium contractors Ed. Francois et Cie., and Delens.

EPIC now has to hammer out a price for the site and bring to an end its one, embarrassingly expensive venture on to the Continent.

The site is just 300 metres from the EEC headquarters at the junction of Rue Proissant and Chaussee d'Etterbeek, overlooking the Parc Leopold and Place Jourdan. It was bought at the tail-end of the Brussels office development boom late in 1973. When the city's office market crashed, and when sterling began its nosedive, the office scheme was shelved. The present plan for a conference hall emerged in 1976.

Brussels cost EPIC two successive dividend cuts and added £109,000 to its net interest costs in 1975, £260,000 in 1976 and £303,000 last year. The site is not separately identified among the group's £2.2m. of development properties, nor was a separate Brussels element identified in a £1m. provision against these properties in 1976. Whatever the eventual sale price, EPIC will be able to partially offset book losses by drawing back some of the £703,000 unrealised exchange losses charged since 1975. Finance for the site was in the form of Belgian franc borrowings in Britain, and although the exchange rate at the time of the purchase was around BFrs.96 to the pound, subsequent provisions take no account of the recent revival of sterling and the franc's decline.

Price negotiations have not started, but EPIC hopes to repay the £2.5m. or so bank borrowings on the site without having to make further balance-sheet provisions. In anticipation of a dividend boost once Belgian interests costs are stemmed the shares gained 9p on the news, closing at 88p yesterday.

In Brief . . .

MALCOLM BRUCE, deputy chairman of the Scottish Liberal Party had some acid comments to make about the Department of the Environment's "scandalously extravagant" behaviour this week. Having sniped at "the massive and largely unreported growth in state bureaucracy in Scotland" Mr. Bruce saved his big guns for a broadside at the Property Services Agency's "developers' friend" image. "In most cases," he said, "the Government has opted for the newest, most prestigious addresses in the city centres, acting as the property speculator's friend and, being such a big buyer, helping to increase rents."

More constructively, and even more certainly losing Scotland's Liberals their property vote, Mr. Bruce's criticisms resulted in a letter from Peter Shore, the Environment Secretary. This gives details of PSA lettings in Scotland's main cities since the end of 1973. Edinburgh tops the list with 592,000 square feet of new Government lettings in the past four years. Some 204,000 square feet was taken in Glasgow, 64,000 square feet in Dundee and 129,000 square feet in Aberdeen.

The PSA has a total of 6.7m. sq. ft. of offices throughout Scotland and pays just £7m. a year for the space. There are clearly some relieved developers, and some very cheery portfolio managers in Scotland looking forward to hefty Government reversions in the 1980's.

●

BIBA is alive and well and moving to Conduit Street, W1. The fashion and cosmetics business that grew to fill British Land's Derry and Toms store in Kensington High Street, and which subsequently toppled into the arms of the receiver, has been picked up, dusted off and given a new home.

A Liechtenstein registered nominee company, believed to provide a publicity shield for an Iranian controlled cosmetics group, bought Biba's international trade name and goodwill last July. The resurrected Biba, chaired by London lawyer Jeffery Isaacs and directed by former Yardley and Helena Rubenstein executive David Moxey, has now acquired a headquarters building. Levers, acting for unnamed clients, have sold Biba a 2,000 year lease on the 7,000 square foot showroom and offices of 22 Conduit Street, W1. Levers had been asking and are understood to have got close to £385,000.

●

ABBOTSTONE Agricultural Property Unit Trust tops the Harris Graham and Partners pooled pension property fund performance tables for 1977. The latest quarterly edition of the HG tables, published this week, shows that £1,000 invested in Abbotstone at the beginning of 1977 would have been worth £1,515 by the year-end, a 51.5 per cent. rise

None of the 28 property funds covered in the report matched the 81.8 per cent. rise in the FT property share sub-index over the year But another farm fund, Mutual Agricultural Property Fund, came second in the league table with a 39.5 per cent. increase in value, boosting a £1,000 stake to £1,395.

Welfare Life Property came third, with a 37.8 per cent. increase to £1,378 followed by Provident Mutual Property Trust at 36.1 per cent. and The Pension Fund Property Unit Trust with an increase of 33.6 per cent.

Bottom markers were Barclaytrust International Property Fund, rising just 4.9 per cent. in 1977 to give a £1,000 investor £1,049 and Confederation Life with an 8.7 per cent. increase to £1,087. The average for all funds was a 22.6 per cent. rise to £1,226.

Size is clearly no guide to performance. The tables show that Legal and General's Property pension fund was worth £229m. at the year-end, yet it came 20th out of the 28 funds in performance terms. PFPUT is shown to be worth £160m. and the other giants of the pension business are Prudential's fund, at £97m., Fleming Property Unit Trust at £70m., Lazard's at £64m. and the Mutual and Hanover property funds at £39m. apiece.

●

Property Deals appears on Page 28

INDUSTRIAL AND BUSINESS PROPERTY

هكذا من الأصل

PROPERTY DEALS

Fetter Lane overspill

LUMMUS, the U.S. combustion engineering group that recently took the whole 95,000 square foot office block at 100, Fetter Lane, EC4, is already spilling over the road. Underlining the shortage of big office units now available in the City of London, the group has now signed to take a sub-lease from Navcot Shipping on an additional 28,500 square foot of air-conditioned space across from its new headquarters.

Debenham Tewson and Chinnocks, acting for Lummus on the 100, Fetter Lane deal, negotiated a concessionary rent starting at around £6.25 a square foot and rising to £8 before the first full rent review in 1983. Richard Saunders and Partners and Anthony Lipton acted for the Bank of England, which had taken over the former Slater Walker development.

The new letting, at 43, Fetter Lane, helps to confirm rents in the area between Fleet Street and Holborn. Lummus, still advised by Debenhams, has taken the extra office space for rather less than the £7.50 a square foot asking rent. That matches the "just under" £7.50 a square foot agreed by the Post Office when it recently took a 37,250 square foot sub-lease in Unilever's neighbouring Lintas House. Chestertons advised Navcot on its sub-letting.

●

TOWN AND CITY Properties and its funding partner Legal and General Assurance, were formally reinstated as developers of the £24m. Eastbourne town centre development this week.

T and C had been working for years on a two-stage development plan of a 10-acre site in the town before Eastbourne Council dropped the idea in favour of a single stage project. Last autumn the council called in John Laing, and the contractor, backed by the Shell pension fund, considered the Council's idea. Earlier this month Laing announced that it was impractical to do the work in one go. Eastbourne, faced with a March 14 deadline on its compulsory purchase powers for the site, turned back to T and C.

T and C's initial plans involved 325,000 square feet shopping centre in the first stage, followed by another 140,000 square feet covered area once the initial building is operating successfully. Key to the success of the scheme is the continued support of the traditional "anchor" stores. The line up planned before Eastbourne's temporary brainstorm makes a strong team: Littlewoods, Marks and Spencer, Woolworths, British Home Stores, Boots and the Co-op.

●

A SLIP of the typewriter in Monday's paper transported the future home of the Syrian Embassy from S. Belgrave Square, to Berkeley Square. The Syrians lose their nightingales.

But the near £500,000 sale by Jones Lang Wootton of the Institute of Directors' 55-year leasehold in the 10,000 square foot building helps to pay for the Directors' new HQ in the former United Services Club

●

RICHARD SAUNDERS and Partners become one of their own City Floorspace statistics this week-end when they move offices and postal districts, from 43-45, Eastcheap, E.C.3. to 27-32, Old Jewry, E.C.2. Saunders are taking a 1,650 square foot sub-lease in the Commercial Banking Company of Sydney's building for around £10 a square foot. St. Quinton Son and Stanley acted for the bank.

The agents can well afford their new space having sold the freehold of their old 3,100 square foot offices to New Court Property Fund, an arm of the Rothschild Property Unit Trust for Pension Funds and Charities, for around £700,000. An as yet unnamed overseas bank, represented by Vigers, is to move into the old offices. Rothschild was represented by de Morgan

●

THEATREGOERS in London will soon be used to scrambling over builders' skips. First the Criterion—where Trust Houses Forte's 175,000 square foot addition to the Piccadilly Circus theatre is due to start shortly. Then the National Theatre—where John D. Wood and Gerald Eve are looking for a replacement for Reuters as a prospective tenant for Associated Newspapers' 200,000 square foot speculative office scheme. Now the Old Vic—where Lambeth Council gained a two acre housebuilding site in return for a 150,000 square foot speculative office project on the former David Greig headquarters building, opposite Waterloo Station.

Both Associated and Alan Pulver, whose Snowhall Securities is developing the Grieg site, expect Waterloo rents to top £10 a sq. foot by 1981-82 when both schemes should be completed. And both Associated's agents, and Churston Heard and Edwin Hill and Partners — Snowhall's joint agents—are trawling the market for prelettings.

Associated plans a straightforward four storey office that won't either embarass the National Theatre's architect nor entirely disgrace the designers of the London Weekend Television building, its other near neighbour.

Snowhall on the other hand is risking the wrath of the modernists by sticking to the pseudo-classical facade of the existing building renamed Waterloo House, and, for £5.5m., slipping a net 105,000 sq. foot of air conditioned space behind.

The site for the new building was acquired in 1973, and a delve through the records suggests that Snowhall may have paid up to £3m. for the land. It is not surprising, therefore, that the group is seriously considering selling the scheme to an institution.

JB

CLASSIFIED COMMERCIAL PROPERTY

FACTORIES AND WAREHOUSES

FOR INVESTMENT

SHOPS AND OFFICES

WANTED

BUSINESSES FOR SALE

HOTELS AND LICENSED PREMISES

SOUTH COAST

CLUBS

INTERNATIONAL PROPERTY

A FINANCIAL TIMES SURVEY

The Financial Times is planning to publish a Survey on Industrial Property. The provisional editorial synopsis and date are set out below.

DATE: Wednesday, 15th February, 1978

INDUSTRIAL PROPERTY

1 INTRODUCTION

Industrial property has outpaced offices and matched prime shops as the most fashionable sector of the property investment market over the past year. Investment demand has spilled over into development activity, and new building of factories and warehouses has provided a badly needed lifeline for the contracting industry. But the sluggish pace of industrial recovery in the economy as a whole casts a shadow over the industrial developers. Could the enthusiasm for industrial property survive any further delay in the long-awaited revival of industrial activity?

2. INDUSTRIAL DEVELOPMENT

a. The Land Crisis

Property legislation has severely reduced the supply of suitable industrial property development sites. The price of freely developable land is rocketing, and the rising spiral of land costs threatens to halt the industrial building boom.

b. Building Costs

Contractors, anxious to keep their work forces together, have been paring profit margins to the bone in their efforts to win building contracts. The builders' subsidy has artificially reduced development costs and kept asking rents for new space unrealistically low. 1978 could see true costs flowing through to rents.

c. The Contractor Developers

Civil engineering and contracting companies are increasingly willing to take on the role of developer. International contractors' strong cash flow enables them to act as both development and investment holding groups, and property investment is becoming an increasingly important revenue source for leading companies in the building sector. But not all builders' property operations have been a success.

d. The Traditional Developers

The industrial property development groups have been riding the crest of a stock market wave for eighteen months. There is more to go for in the shares, although property legislation casts a long-term shadow.

3. BUILDING AND DESIGN

a. Industrial Buildings Past and Present

Factory and warehouse design has come full circle since the first industrial revolution. From hastily converted buildings to purpose-built mills and back towards the most flexible factory/warehouse/part office structures, and the shape and standards of industrial building have radically altered over time.

b. Industrial Buildings of To-morrow

Industrial buildings have to mirror the changing needs of industry. Will to-day's industrial estate be an abandoned relic by the end of the century?

4. INDUSTRIAL ACTIVITY

a. Finance

Moves towards financial recovery have yet to be matched by a similar recovery in industrial output. Until industry follows the City out of recession factory building remains a speculative business.

b. Institutions

The institutions funding industrial building strongly favour warehouse rather than factory schemes because of the relatively stronger demand for modern motorway-linked storage space. While consumer demand remains buoyant, and industrial activity slack, warehouse properties will continue to edge ahead of factories in rental, development and investment terms.

5. THE REGIONS

a. London

Industrial development sites in the capital are commanding premium prices. Proposals for revitalisation of inner city areas may eventually help to ease the scarcity problems. But in the meantime local planning delays endanger efforts to bring blue-collar jobs back to London.

b. Docklands

London's docklands are the largest inner city wasteland in Europe. After twenty years of delays there are at last signs that the immense potential of the area will be realised.

c. Manchester and the North West

Despite local and national efforts to revive the region industrially, only Greater Manchester retains the spread of business to ride out the recession.

d. The North East

Advanced factory building by the British Estates Corporation heavily subsidises industrial users and threatens to squeeze the private developer from the market.

e. Scotland

North Sea oil sparked massive industrial building programmes that created a supply of modern space now overhanging a disappointingly sluggish letting market.

f. Glasgow

Glasgow has attracted a fringe of successful industrial developments. The City stands out in an otherwise depressed industrial market.

g. Northern Ireland

National Government efforts to maintain the Province's industrial base in the face of local conflict have spawned a rash of new, and too often, empty industrial buildings.

h. The South East

Outside London the motorway-linked industrial commuter areas have been the scene for the most active factory and warehouse building in recent years.

i. The New Towns

New Town Corporations, although now facing a gradual run-down, have an exceptional chance to take advantage of the shortage of industrial sites by releasing land for private or joint development.

j. The South West

Motorway and high-speed rail links have turned a one-time backwater into a selectively strong industrial property market. But here again the lack of suitable land for development is slowing the pace of building.

k. Wales

Government-sponsored industrial building programmes have undermined the private development market. But selective schemes show that the Welsh market is still alive, if struggling.

Publication date is 15th February and copy date is 8th February. For further details and advertising rates contact: Terry Druce 01-248 8000 extn. 7196 or 7116 or write to The Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

Wholesale bacon prices reduced

By Our Commodities Staff

WHOLESALE BACON prices have been reduced by British, Irish and Ulster suppliers, but it is unlikely that the lower prices will be reflected in the shops next week.

FMC, Britain's biggest curer, has reduced its first-hand price to £1,003 a tonne from £1,030. The new Irish and Ulster prices are also £1,005 after reductions of £15 and £25 respectively.

FMC said its lower price reflected an "oversupply situation" with the Dutch and the Danes increasing supplies despite the usual post-Christmas demand recession.

The company said the increased supplies had been attracted by the prospect of a cut in the "green £" rate.

Discounts have trimmed the price of U.K. supplies to £980 recently, a leading bacon merchant said yesterday, and *continued discounts are expected to* bring effective first-hand levels down to around £930 a tonne.

If any retail price cuts result they will probably be concentrated on middle and gammon cuts, he added.

Aluminium surplus forecast

CONSUMPTION OF primary aluminium in the West rose by 4½ per cent. last year to 11.4m. tonnes, says the latest issue of Aluminium Trends.

Aluminium Trends estimates that production of primary aluminium rose by 10.9 per cent. to 11.35m. tonnes.

After allowing for a net import from the eastern bloc of 100,000 tonnes, there was an apparent surplus of 50,000 tonnes.

Smelter capacity is forecast to rise by 28 per cent. from 1976-1980 to 14.9m. tonnes, while it is predicted that consumption of primary aluminium will be affected adversely by the world economy growing slowly with a possible fall in activity next year.

The magazine says that primary aluminium consumption in the West should rise by nearly 4½ per cent. this year, fall by 4½ per cent. next and rise by 10½ per cent. to 12.8m. tonnes in 1980.

There will be a surplus capacity worldwide. Capacity utilisation will have to be reduced to about 81 per cent. next year and 83½ per cent. in 1980 to prevent a further build up of stocks.

U.K. holds firm on 'green pound' devaluation

BY CHRISTOPHER PARKES

THE WAR OF NERVES over Britain's request for a 7½ per cent. devaluation of the "green pound" was unresolved last night.

And Mr. John Silkin, Minister of Agriculture, had still not decided whether he would carry through his threat to boycott a key meeting of Common Market Fisheries Ministers in Berlin to-day.

He was leaving the next move to the West German, Belgian and Dutch Governments, which were responsible for the impasse.

Officials could not rule out a last-minute dash to Berlin. But since two hours of talks yesterday between the German and British junior foreign ministers had failed to find a compromise, the possibility of such dramatics appeared remote.

In a statement to the Commons yesterday afternoon, Mr. Silkin said he had made it plain to the Ministers at their meeting in Brussels on Tuesday that until the devaluation of the British "green pound" was finally approved he "should not feel able to take part in the discussion of other issues."

Herr von Dohnanyi, West Germany's deputy Foreign Minister told Mr. Frank Judd, his U.K. counterpart yesterday that Bonn would not be in a position to lift its reserve on the devluation until January 29.

Mr. Silkin took this to mean that the embargo would be lifted then. Such a move would permit the planned devaluation to be processed in time for the February 1 deadline.

"For my part, I intend to attend the fisheries council on January 30," he told the Commons.

He told a Commons scrutiny committee on Wednesday that if his last deadline was not met he would scrap the devaluation plan.

Sir Henry Plumb, who yesterday was elected president of the National Farmers' Union for the ninth successive term, said of the wrangle: "I am fairly confident that this devaluation will go through.

"I cannot believe that the Commission will allow a precedent for a country to be denied the right to devalue its green currency, nor that any country in the Community would have the nerve to attempt to veto such a devaluation."

Margaret van Hattem adds from Berlin: Mr. Finn Gundelach, EEC Agriculture Commissioner last night delivered an indirect, but unmistakable attack on the British bid to devalue the "green pound."

At the opening of the Grunewoche agricultural show, he said: "I should like to stress that my position is that we must negotiate all important aspects relating to farm prices and other essential topics in the community context—that means at the annual price review"

"I have always stressed that the elimination of green currencies can succeed only if we allow a proper transitional period. Otherwise the consequences of such a move would conflict with the requirements of our prices policy," he added.

Coffee 'squeeze' fears fade

BY RICHARD MOONEY

COFFEE PRICES fell sharply on the London futures market yesterday as supply "squeeze" fears which had boosted values on Wednesday ended.

January coffee declined by £133 at £2,023 a tonne in the absence of significant buying interest and other nearby positions responded in sympathy.

The March position ended £41.5 lower at £1,756 a tonne after rising to £1,820 a tonne at one stage.

Wednesday's rise had been encouraged by reported buying of January coffee on behalf of a leading Central American producer. The producer has already bought significant quantities of January delivery coffee and has let it be known that it plans to accept delivery.

No buying from this source was in evidence yesterday, however, and Wednesday's "panic" reaction tended to recede.

London dealers said that tendering of coffee against the January position could increase over the few remaining days in the position so alleviating the apparent tightness.

In New York, meanwhile, traders said some exporters in producing countries have followed the market down over the last week by offering coffee *at lower levels while others continue to hold out for higher* prices.

But they said that exporters who have shown signs of lowering prices, have not been keen sellers and in some cases have not followed the market all the way down.

Sales of Mexican coffee have been reported at under $2 a pound, while Honduras offers have been made at around March contract levels and Guatemalan at $2.02 a pound.

The traders noted, however, that no offers at present market levels have been reported from El Salvador. Other producers said to be offering coffee include the Dominican Republic and Peru.

At talks in London International Coffee Organisation delegates said interest by some coffee producers in the use of a buffer stock to intervene directly on world coffee markets raised a number of technical considerations yesterday.

Cyprus–EEC pact hopes

BY DAVID BUCHAN

BRUSSELS, Jan. 26.

THE EEC is reported to have taken a "conciliatory line" at resumed negotiations on agricultural imports from Cyprus.

Community officials said talks on an agricultural clause within the island's 1972 EEC association agreement had "clarified" Cypriot grievances over the Community's offer, which President Kyprianou last year described as "unacceptable."

The problem arose when Cyprus' special access to the British market ended.

It exports over 80 per cent. of the agricultural products it sends to the EEC That lapsed at the end of last year.

On sherry, the Cypriots are worried about having to sell on the British market at a minimum reference price.

They fear that will squeeze their sherry out of the lower end of the wine market.

On potato, fruit and vegetable exports the issue is the timing of tariff reductions, which the Commission wants to set when there are shortages inside the Community market.

EEC officials recognise that the island's political problems have not made it easy.

Fresh fall in metal markets

By Our Commodities Editor

Copper prices sank to two-year lows on the London Metal Exchange yesterday following another bout of speculative selling. Cash wirebars closed £12.25 down at £622.25 a tonne.

The resumed fall, after a relatively steady day on Wednesday, was triggered off by the weaker tone in the New York market overnight that brought more selling by speculators.

It is thought likely that other U.S. producers will follow the recent move by Kennecott to cut its domestic U.S. price by 1.50 to 61.50 cents a lb.

Sentiment in the copper market was also affected by the trend in other base metals, notably lead and tin, which suffered further heavy losses on renewed selling pressure.

Standard grade cash tin closed £95 lower at £6,005 a *tonne, cutting its premium* over the three months quotation which lost £50 to £5,985.

The market shrugged off a rise in Penang overnight in the face of trade and speculative selling.

Cash lead lost £10 to £306.5 a tonne, wiping out the gain of £5 the previous day.

Renewed speculative selling was responsible for the decline, despite some trade buying at the lower level and reports of Eastern European inquiry.

● Experts from members of Intergovernmental Council of Copper Exporting Countries (CIPEC) began a two-day meeting in Paris yesterday to define a common stand for the Third Unctad preparatory meeting on *copper to be held in Geneva* next week.

Plans to create a buffer stock of 1m. tonnes, and Chile's refusal to cut production are also likely to be discussed.

In Lusaka, it was reported that Zambian copper production fell sharply last year to an estimated 650,000 tonnes—its lowest level for over a decade—compared with about 711,000 tonnes in 1976.

U.S. options market plan

WASHINGTON, Jan. 26.

THE Commodities Futures Trading Commission has approved preliminary regulations which will allow trading of commodity options on regulated exchanges in the U.S.

Mr. William Bagley, commission chairman said he expects to have final regulations ready in three to four weeks. Reuter

U.S. to attend new cocoa pact forum

BY OUR COMMODITIES EDITOR

A NEW advisory group on the world cocoa economy, which *offers the U.S. a "back door"* membership of the International Cocoa Agreement, will hold its inaugural meeting in Berne, from January 31 to February 2.

Mr. U. K. Hackman, executive director of the International Cocoa Organisation, said yesterday the advisory group would give an opportunity for a free exchange of views between experts from producers and consumer countries, free of political complications that often inhibited delegates at the Agreement meetings. For example advisors to official delegations will be allowed to speak freely.

Mr. Hackman said it was important that the U.S., as the world's biggest consumer, should not be excluded from discussion on the future of the cocoa economy and should have an *opportunity to state its view* rather than being left out in the cold.

He conceded that the group might play a preparatory role in the negotiations for the new Agreement to replace the present pact which expires in September next year.

The items on the agenda at the Berne meeting would include a review of the recent developments in the market, supply and demand, substitutes and the possible co-ordination of technical research, he added.

Mr. Hackman, commenting on the recent market price decline, said that the "bear raid" which had started last month must end soon.

He stuck by the forecast of the International Cocoa Organisation this month that output *during the 1977/78 season would* exceed consumption by only 39,000 tonnes, despite higher surpluses being predicted by other sources.

The Economist Intelligence Unit in its world commodity outlook review out yesterday forecast a substantial world oversupply of cocoa of up to 100,000 tonnes.

In London yesterday cocoa prices fell to a 16-month low on the futures market. The May position closed £15.25 down at £1,477 a tonne.

The March position remains at a substantial premium, but the nearby supply position is generally easier and this has been a major influence in bringing London values down.

Farmland investment outlined

BY ERIC SHORT

INSURANCE companies held 270,000 acres of agricultural land in their investment portfolios at the end of last year, which was 0.6 per cent. of the total of some 44m. acres.

Over the past 10 years that proportion had grown from 0.2 per cent. and insurance companies had made net acquisitions of nearly 187,000 acres.

The growth was broadly in line with the rise in funds available for investment, the British Insurance Association said in *evidence to the Northfield Committee.*

The association said that there was considerable misunderstanding over the extent of ownership of agricultural land by financial institutions. It had over 300 members, but only 20 companies had investments in agricultural land.

Nearly 200,000 acres was held by life companies, nearly three-quarters of the holdings. Other insurance funds, such as general funds and staff pension funds held very little.

Each company makes its own investment decisions and it would be misleading to generalise on reasons for investment, the association said.

But it is clear that the companies that have bought land have done so because they regarded it as sound investment.

Most companies hold offices, shops, factories, warehouses and residential and agricultural land would be a logical extension.

It was thought unlikely that such holdings would represent more than a small proportion of a typical portfolio. The association fails to point out that there are a few life companies offering agricultural bond investment, where the underlying fund is mainly holdings in agricultural land.

It rejects the suggestion that institutional holdings are concentrated on arable land in eastern counties. It shows that holdings are spread throughout 35 counties of England and Wales and 10 counties in Scotland with about half the acreage being arable. About 225,000 acres were let to tenants and 45,000 farmed either in hand or in partnership.

Egg farmers warned of glut threat

BY OUR COMMODITIES STAFF

THE BRITISH Egg Association has warned poultry farmers that they must either stop expanding their laying flocks so rapidly or face gluts of eggs and falling prices in the next year or so.

The association says egg producers have been buying 6 per cent. more chicks than normal for the past three months.

Similar expansion in the EEC is expected to aggravate any problems in Britain, since other Common Market countries will be looking for export markets for their surpluses.

In the recent past the Community has relieved pressure caused by over-production by exporting to non-EEC countries. But now the U.S. has stepped in and taken over many of those outlets.

The association says these *factors combined "indicate that* unless caution is exercised in future (chick) placings, 1978-79 could be an extremely difficult period for the industry."

British egg output rose 2 per cent. last year. Dutch farmers produced 10 per cent. more eggs. But production fell in France, Belgium and Denmark.

However, the number of egg-laying chicks hatched in the EEC as a whole rose about 3.5 per cent. last year. The rise in Britain was 4 per cent. overall, *while in Holland hatchings* jumped almost 18 per cent.

Iran is the EEC's biggest customer for eggs at the moment, but most supply contracts for traditional buyers are smaller than last season.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Weaker on the London Metal Exchange as sentiment remained depressed. After falling from £642 to £633 pre-market, the price of forward metal stabilised. Chartist selling predominated [illegible] in early trading. In the afternoon Comex was lower, aligning itself with London, where the closing price on the Kerb was £633.5. Turnover: 31,950 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at [illegible], three months [illegible]. [illegible]

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
Wirebars				
Cash	622.5-3	−12.5	[illegible]	[illegible]
3 months	635.5-6.5	−12.5	635.5-6	−12
Settl'm't	623	−13		
Cathodes				
Cash	612-3	−12.25	611.5-2.5	−12
3 months	624.5-5.5	−12.5	624-5	−12.5
Settl'm't	613	−12		
U.S. Prod.			60-62.5	

TIN—Lost ground although the market was overshadowed by other metals. The East was higher overnight and forward metal started in London at £6,015 before being taken down by trade selling to £5,960. Fresh buying, with interest in cash metal, took the price back to £6,000. In the afternoon the price slipped back on U.S. liquidation, and under the influence of a stronger pound and the performance of other metals, to a close on the Kerb of £5,965. Turnover, 1,125 tonnes.

[illegible]

LEAD [illegible]

ZINC [illegible]

SILVER

Silver was fixed [illegible] for spot delivery in the London bullion market yesterday [illegible]

JUTE

[illegible]

COCOA

Values held steadily until renewed Ivory Coast selling precipitated long liquidation and weak close, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE for raw sugar [illegible]

WOOL FUTURES

LONDON—Dull and featureless, reports Bache.

[illegible]

MEAT/VEGETABLES

[illegible]

COTTON

COTTON, Liverpool—Spot and shipment sales amounted to [illegible] tonnes, bringing the total for the week so far to 2,997 tonnes. [illegible] Forward [illegible] Turkish [illegible] F. W. Tattersalls.

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

FINANCIAL TIMES				
Jan. 26	Jan. 25	Month ago	Year ago	
237.98	251.48	235.55	262.24	

REUTER'S				
Jan. 26	Jan. 25	Month ago	Year ago	
1397.8	1396.2	1417.4	1618.1	

DOW JONES

[illegible]

MOODY'S

[illegible]

U.S. Markets

NEW YORK, Jan. 26.

Cocoa—March 134.15 (136.00), May 124.45 (126.35), July 120.75, Sept. 118.50, Dec. 115.60, March 113.60, May 111.63. Sales: [illegible]

[illegible]

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime Steam f.o.b. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse 5,000 bushel lots. § $s per troy ounce for 50 ounce units of 99.9 per cent. purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb. bushel in store. †† Cents per 24 lb. bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb. bushel, ex-warehouse, 1,000 bushel lots.

Australian food exports to EEC

EXPORTS of Australian foodstuffs to the EEC fell by almost 80 per cent. over the past four years, Mr. Peter Nixon, Australian Transport Minister, said, Reuter reports.

EEC exports to Australia during the last few years rose at twice the rate of Australian exports and in 1976 were 60 per cent. greater than Australia's sales to the EEC, Mr. Nixon said at an Australian British Trade Association lunch in London yesterday.

STOCK EXCHANGE REPORT

British Funds turn flat on offerings in unwilling market

Share index falls 7.4 to 475.8—Banks weak—S.A. Golds react

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan. 16	Jan. 26	Jan. 27	Feb. 7
Jan. 30	Feb. 9	Feb. 10	Feb. 21
Feb. 13	Feb. 23	Feb. 24	Mar. 7

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The recent uncertain mood in stock markets deepened yesterday and uneasiness in the dominant British Funds sector was marked by losses to ⅜ in official trade which were extended by ⅜ more in inter-office business. Yesterday's falls took the Government Securities index down 0.42 to 76.37. This is back to its mid-December level and nearly 3 per cent. below the January 3 index (78.38) when the market looked poised to attempt a repeat of its strong performance.

The marked reluctance on the part of buyers followed misgivings which arose following reports that the announcement of the latest U.S. trade figures had been postponed from yesterday until Monday when President Carter is to hold a specially convened Press conference.

Potential equity buyers, scarce lately apart from the more speculative element, were put off from the start on the announcement of Midland Bank's £96.4m. rights issue which left Bank shares very subdued with losses to 27, as in Midland.

Another weak area was provided by the shipbuilding and aerospace concerns which closed at, or near, the lowest levels of the day with falls to 15 on disappointment that the interim compensation payments for the nationalisation of the industries seem to bear no relationship to the ultimate compensation valuations.

Interest in equities generally was again very restrained and prices moved progressively easier in the continued absence of support. Down 3.9 at 11 a.m., the FT Industrial Ordinary share index closed at the day's lowest of 475.8 for a loss of 7.4. Falls in the index constituents rarely exceeded fourpence, but Vickers and Hawker Siddeley reflected the compensation announcement with losses of 11 to 187p and 8 to 188p respectively.

The falls/rises ratio in FT-quoted equities widened to 11:4 against Wednesday's 4:3. Numerous losses in the FT-Actuaries share indices averaged out at about 1 per cent. with the All-share that amount down at 209.33, but the Bank sub-section dropped nearly 7 per cent. at 187.64.

Official markings numbered 6,012, only slightly below the previous day's 6,283 but well above last Thursday's 5,031 when the Ordinary share index gained nearly 10 points.

Gilts troubled

British funds appeared distinctly troubled in the inter-office trading and closing losses, which had ranged to ⅜ among high-coupon longs and ¼ in the shorter maturities, were extended by ⅜ further at both ends of the market. For most of the day dealers were required to absorb stock because buyers were extremely nervous, but at the lower levels the market had looked steady until encountering the renewed offerings, sometimes sizeable, in the unofficial dealings. Sentiment which has not been too sound recently was additionally upset by U.K. political uncertainties, the troubled U.S. economy and yesterday's effective allaying of hopes about a cut this week in Minimum Lending Rate. Continued tightness of money was another adverse influence. Corporations were not immune from the malaise and the recently-issued Kensington and Chelsea 11¾ per cent. 1985/87 fell ¼ to 13, in £10-paid form. A more detailed assessment of the latest developments in the peace talks left Southern Rhodesian bonds slightly reactionary after Wednesday's mark-up: the six per cent. 1978/81 slipped two points to £93.

Still highly volatile after the previous evening's late shake-out, the investment currency premium fluctuated between 78¼ and 75¼ per cent. before settling at 75¾ per cent. for a net further loss of 1¼ points. Business comprised both institutional buying and selling together with a good deal of book-cutting or position squaring. Yesterday's SE conversion factor was 0.7328 (0.7330).

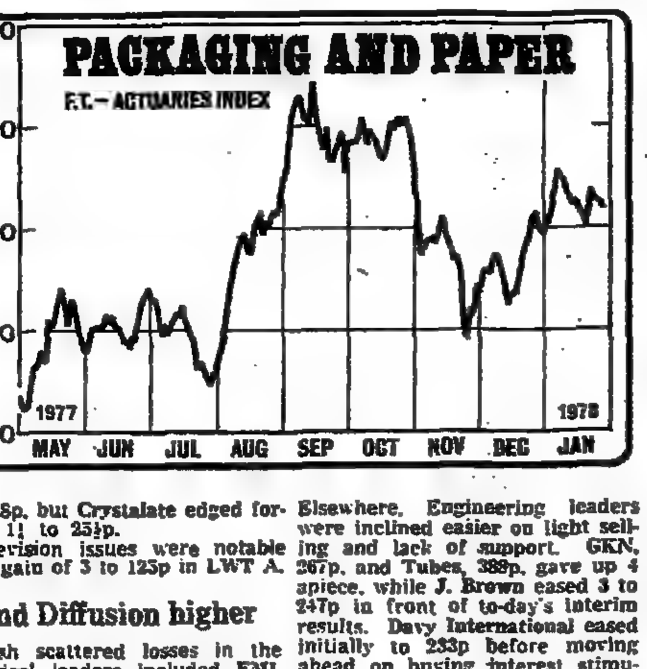
The surprise announcement by Midland Bank of a proposed £96.4m. rights issue had a depressing effect on all the major clearing banks; Midland were marked down to 386p and continued to drift lower to finish 27 down at the day's lowest of 370p, while the 7½ per cent. Convertible Loan 1983/93 ended 3½ points easier at £85½. Barclays recorded a sympathetic loss of 25 at 320p, while Lloyds and NatWest, both at 268p, finished 20 and 22 lower respectively. Meanwhile, overseas issues gave ground on investment currency influences. Algemene shed 3½ points to £89¼ and Hong Kong and Shanghai cheapened 8 more to 243p. Discounts ended easier in places although Union held steady at 470p following comment on the excellent results. Manson Finance, a penny easier at 49p in front of the half-yearly results, picked up on satisfaction with the figures to finish at 50½p. Elsewhere in Merchant Banks, Guinness Peat improved the turn to 206p in response to the encouraging interim statement.

General Accident, 8 down at 224p, led the retreat in Insurance Composites.

Richard Costain lost 10 to 260p in a dull Building sector where Taylor Woodrow shed 6 to 400p and Tarmac declined 4 to 137p. AP Cement were a like amount lower at 258p and London Brick eased 2 to 71p. Acquisition news failed to inspire Montague L. Meyer which softened a penny to 85p. Sharpe and Fisher, on the other hand, found support at 50p, up 4.

ICI cheapened 3 to 345p and Fisons 5 to 386p among irregular Chemicals. Allied Colloids gave up 4 at 68p, but Crystalate edged forward 1¼ to 25½p.

Television issues were notable for a gain of 3 to 125p in LWT A.



Sound Diffusion higher

Fresh scattered losses in the Electrical leaders included EMI, 3 off at 185p, and Plessey, 2 cheaper at 91p. Elsewhere, news of the financing arrangements with Houston Financial Services prompted renewed firmness in Sound Diffusion which rose 4 more to 49p. Revived hopes of a counter-offer left H. Wigfall 6 to the good at 262p, after 265p, while bidders, Comet Radiovision, firmed 2 to 109p. Buyers showed interest in Allied Insulators, 2 better at 67p, and Audio Fidelity, a similar amount higher at 34p. Still reflecting Rhodesian settlement possibilities Stocklake hardened a few pence more to 83p.

Leading Stores continued to drift lower on sporadic offerings. Gussies A were 6 down at 284p and Marks and Spencer 4 cheaper at 146p. Burton Ordinary shed 7 to 132p and the A finished 3 off at 122p as did Debenhams at 102p. Elsewhere, Henderson-Kenton, a penny easier at 79p, remained nervous in front of to-day's first-half figures. Among Shoes, improvements of 1½ and 3 respectively were seen in Style, 48p, and W. and E. Turner, 32p.

Disappointment with the size of the interim nationalisation compensation payments prompted marked weakness in the companies concerned. A fair amount of selling developed, in some of the recent speculative favourites and Vickers reacted to close near the day's lowest at 187p, down 11. Yarrow dipped 15 to 280p, while Vosper finished 9 cheaper at 165p, after 158p. Hawker Siddeley were similarly lower at 188p and Swan Hunter 5 off at 140p, after 145p. Elsewhere, Engineering leaders were inclined easier on light selling and lack of support. GKN, 267p, and Tubes, 388p, gave up 4 apiece, while J. Brown eased 3 to 247p in front of to-day's interim results. Davy International eased initially to 233p before moving ahead on buying interest stimulated by news of the £88m. Brazilian contract and closing with a net gain of 3 at 239p. Averys advanced 9 to 168p on speculative demand, while Brooke Tool improved 2 to 24p in response to good annual results.

Fitch Lovell figured prominently in Foods, closing 3 cheaper at 37p, after 36p, following interim figures which failed to come up to market expectations. Tate and Lyle, at 209p, gave up 8 of the previous day's rise of 13 which followed the preliminary statement. Having improved to a 1977-78 peak of 510p on the preliminary figures and capital proposals, British Sugar closed only 3 better on balance at 490p. A. Fisher eased a penny to 12p following the interim report.

T. & Newall easier

Miscellaneous industrial leaders were around the day's lowest after a quiet session. Turner and Newall, at 211p, lost 4 of the previous day's improvement of 5 which stemmed from Rhodesian settlement hopes. Beecham, 630p, and Boots, 215p, ended 5 and 4 down respectively, while the uncertainty surrounding the Airco acquisition left BOC International a further 1½ cheaper at 71½p. Elsewhere, Caledonian Associated Cinemas moved up 15 more to 365p on fresh speculative demand in a thin market and British Cinematograph Theatres rose 7 to 59p for a similar reason. Still reflecting investment comment, Boosey and Hawkes added 4 more at 204p. Increased annual profits left Lonsdale Universal 5 higher at 85p, but Cowan De Groot slipped 3 to 74p on disappointment with the first-half profits performance.

Turner Manufacturing featured lacklustre Motor Components with a rise of 13 to 119p on revived bid hopes. Lucas Industries, however, continued to decline and closed 4 easier at 253p reflecting further adverse Press comment. Bluemel Bros. shed 3 to 62p, while Associated Engineering, 119p and Automotive Products, 98½p, lost 2 apiece. Distributors continued to attract a good two-way business, but sellers attained the upper hand and prices were often easier. Glanfield Lawrence closed 2 off at 36p following the results.

Apart from a fresh speculative gain of 10 to 145p, after 146p, by Mills and Allen International, Paper and kindred issues had little to offer.

Oils drift lower

Leading Oils drifted off on lack of support and the occasional selling order. British Petroleum gave up 4 at 796p, while Shell eased similarly to 500p and dollar premium influences left Royal Dutch 1¼ lower at £38¼. Activity in secondary issues was also light. Oil Exploration met with sporadic selling and reacted 4 to 230p, while Tricentrol finished a like amount down at 130p.

Property leaders opened a shade firmer before easing in line with the general trend. MEPC ended 3 lower at 131p and Land Securities a penny cheaper at 221p. The trend elsewhere was also towards lower levels, particularly in the late dealings. Among the bright spots, Hales Property responded to the increased dividend and profits with a gain of 4 to 36p, while satisfactory interim results left Midhurst Whites, 36½p, and Country and New Town, 27p, up a penny apiece. On the other hand, Scottish Metropolitan eased 3 to 109p and B. Sunley were 4 lower at 220p.

Inchcape came under selling pressure and fell 20 to 360p on the trading statement which accompanied disappointing interim profit figures. Pride and Clark, currently in receipt of a bid fom Inchcape, dopped 11 to 325p to match the latter's cash terms.

Western Canada Investment moved into the spotlight late in Trusts, rising 80 to 640p on the bid approach from Scottish Eastern Investment Trust. Higher interim earnings lifted Hume Holdings A 3 to 75p.

Shippings had an easier bias, although Lofs moved up 1½ to 39p against the trend.

R. Smallshaw (Knitwear), 3 better at 23½p on the increased earnings, provided the sole noteworthy movement among Textiles.

South African Industrials had easier features in Primrose, 4 off at 38p, and Gold Fields Properties, 5 lower at 85p.

Falls in Golds

A combination of the fall in both the bullion price and investment currency premium led to sharp losses in South African mining issues. Prices were further weakened by the decline in the securities rand following a report by a U.S. Senate committee stating that further U.S. investment in South Africa "should be discouraged."

Golds opened substantially lower reflecting the steep fall in the premium late on Wednesday, and lost further throughout the day as the bullion price fell away prior to closing $2 down at $175.375 per ounce.

Losses among heavyweight Golds ranged to £1¼ as in Randfontein, £33¼, while West Driefontein relinquished a point at £18. Lower priced issues showed Libanon 24 off at 494p and Kloof a similar amount cheaper at 474p.

In marginals East Rand Proprietary dropped 30 to 386p and Durban Deep were 22 down at 328p. The Gold Mines index consequently lost rather more than the previous two days' gains, falling 8.8 at 152.7.

Financials fared equally badly. Anglo American Corporation dropped 17 to 366p and De Beers and Union Corporation were both 11 easier at 291p and 258p respectively.

Platinums drifted in quiet trading following the recent spate of hectic activity. Rustenburg gave up 4 to 92p and Bishopsgate the same to 82p.

Tins lost ground across a broad front following the fresh weakness of the metal price and investment premium. Geevor, 450p, Malayan Tin, 285p, and Southern Malayan, 245p, were all around 10 lower. Coppers were featured by Messina, which fell 6 to 90p following the passing of the interim dividend.

FINANCIAL TIMES STOCK INDICES

—	Jan. 26	Jan. 25	Jan. 24	Jan. 23	Jan. 20	Jan. 19	A year ago
Government Secs.	76.37	76.79	76.67	77.00	77.23	77.36	66.00
Fixed Interest	80.47	80.66	80.70	80.85	80.92	80.97	65.62
Industrial Ordinary	475.8	483.2	483.4	486.6	487.0	486.0	390.7
Gold Mines	152.7	161.0	159.9	155.3	147.8	147.5	99.2
Ord. Div. Yield	5.64	5.57	5.57	5.54	5.53	5.56	6.76
Earnings Y'ld% (full)(*)	17.19	16.97	16.99	16.90	16.84	16.89	17.76
P/E Ratio (net) (*)	8.25	8.55	8.34	8.39	8.42	8.39	8.08
Dealings marked	6,012	6,283	6,132	5,404	5,234	5,031	7,872
Equity turnover £m.	—	83.31	83.67	56.03	68.01	95.66	105.21
Equity bargains total	—	14,265	16,325	14,779	16,004	15,085	19,327

10 a.m. 479.2. 11 a.m. 478.6. Noon 478.0. 1 p.m. 476.9. 2 p.m. 476.9. 3 p.m. 478.9.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.10.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30.9)	60.45 (4.1)	127.4 (9.1.35)	49.18 (3.1.75)
Fixed Int.	81.27 (9.1.78)	60.49 (4.1)	150.4 (28.11.47)	50.53 (3.1.75)
Ind. Ord.	549.2 (14.9)	357.6 (13.1)	549.2 (14.9.77)	49.4 (26.6.40)
Gold Mines	174.5 (12.10)	95.1 (1.2)	442.3 (22.5.75)	43.5 (26.10.71)

S.E. ACTIVITY

—	Jan. 26	Jan. 25
—Daily		
Gilt-Edged	192.9	217.3
Industries	210.4	202.9
Speculative	55.3	66.1
Totals	136.9	143.0
5-day Av'rage		
Gilt-Edged	198.6	199.8
Industrials	180.9	188.6
Speculative	57.8	55.2
Totals	132.5	127.0

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 24	Feb. 6	Apr. 27	May 10
Feb. 7	Feb. 20	May 11	May 23
Feb. 21	Mar. 6	May 25	Jun. 7

For rate indications see end of Share Information Service

Money was given for the call of W. E. Turner, Norfolk Capital, J. Brown, Ladbroke, Excalibur Jewellery, Fitzroy Inv., Davenports' Brewery, Cons. Gold Fields, Orme Developments, Burmah Oil, Vickers, Selincourt, UDT, Redfearn Glass, HAT Group, Burton A, Britannia Arrow, Sanderson Kayser, S. Osborn, Bamfords, Town and City Properties, and Invergordon, while doubles were arranged in Talbex, Charterhall Finance, Levex, British Land, Invergordon, Town and City, Britannia Arrow and Hestair. A short-dated call was transacted in J. Brown.

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (59)

BEERS (1)
Morland

BUILDINGS (4)
Allied Plant; Sharpe and Fisher; Bett Bros.; Ward Higgs

CHEMICALS (2)
Crystalate; Wardle (B.)

CINEMAS (1)
LWT A

ELECTRICALS (3)
Allied Insulators; Sound Diffusion; Best and May

ENGINEERING (5)
Assoc. Brit. Eng.; Jenks and Cattell; Barton; Meggitt; Brooke Tool

FOODS (1)
Brit. Sugar

HOTELS (2)
Brent Walker; Norfolk Cap.

INDUSTRIALS (16)
Bellair Cosmetics; Hay (Norman); Black (P.); Lonsdale Universal; Boosey and Hawkes; Monument Secs.; Brit. Cinc.; Norton and Wright; Britains; Stag Furniture; Canning (W.); Sterling Inds.; Chamberlain Phipps; Tranwood; Goldman (H.); Wills (Geo.)

MOTORS (3)
Dowty; Harrison (T. C.); Gates (F. G.)

NEWSPAPERS (1)
Wilson Bros.

PAPERS (4)
Brunning Grp.; Capseals; Do. Res.-vtg.; Mills and Allen

PROPERTY (3)
Churchbury Est.; Warnford Inv.; Land Invst.

SHOES (3)
Headlam Sims; Turner (W. and E.); Stylo

TEXTILES (1)
Tricoville

TRUSTS (3)
N.Y. and Gartmore; N.M.C. Invs.; Maledie Invs.

RUBBERS (4)
Bertam Cons.; Bradwall; Bird (Africa); Sungei Krian

MINES (2)
E. Rand Cons.; Hongkong Tin

NEW LOWS (7)

BRITISH FUNDS (2)
Exchequer 10½pc 1995 (£30 pd.); Treasury 10¼pc 1999 (£55 pd.)

HOTELS (1)
Borel (J.)

SHIPPING (2)
Reardon Smith; Reardon Smith A

SOUTH AFRICANS (1)
Abercom

TEXTILES (1)
Carpets Intnl

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	69	5
Corpns., Dom. and Foreign Bonds	3	27	36
Industrials	183	492	895
Financial and Prop.	57	161	303
Oils	—	22	10
Plantations	5	12	17
Mines	9	92	21
Recent Issues	1	13	39
Totals	258	844	1,326

BOND DRAWINGS

SOCIETE FRANCAISE DES PETROLES B.P.

7% LOAN 1968-80 OF FF100,000,000-00

[illegible]

CREDIT LYONNAIS, Luxembourg

[illegible]

PROVINCE OF MANITOBA

9% 1970/1982

UA 12,000,000 LOAN

Bonds for the amount of UA.385,000 have been drawn on January 12, 1978 in the presence of a Notary Public for redemption on March 16, 1978.

The following Bonds will be reimbursed [illegible]

[illegible]

The Trustee, FINIMTRUST S.A.

Luxembourg, January 27, 1978

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
ICI	£1	11	345	− 3	446	325
Barclays Bank	£1	10	320	−25	330	228
NatWest	£1	10	268	−22	300	203
Rank Org.	25p	10	260	—	276	128
Inchcape	£1	9	360	−20	438	335
Midland Bank	£1	9	370	−27	402	243
Swan Hunter	£1	8	149	− 5	162	40
BATs Defd.	25p	8	235	− 3	260	202
De Beers Defd.	R0.05	8	291	−11	311	138
Reed Intl.	£1	8	138	− 1	233	118
RTZ	25p	8	178	− 4	247	173
Shell Transport	25p	8	500	− 4	635	454
Tate and Lyle	£1	8	209	− 8	279	188
Vickers	£1	8	187	−11	242	144
BP	£1	7	796	− 4	966	776

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

LEGAL NOTICES

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., Jan. 26 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net.) Corp. Tax 52%	Wed. Jan. 25 Index No.	Tues. Jan. 24 Index No.	Mon. Jan. 23 Index No.	Fri. Jan. 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	209.43	−0.8	16.86	5.55	8.40	211.07	212.60	213.22	212.82	150.81
2	Building Materials (27)	191.40	−0.7	16.04	5.53	8.91	192.68	193.98	194.89	194.07	129.16
3	Contracting, Construction (26)	337.14	−0.9	17.20	3.76	8.46	340.35	344.46	344.02	342.78	205.45
4	Electricals (15)	453.07	−0.6	14.72	3.90	9.78	455.82	460.32	461.79	460.42	302.64
5	Engineering Contractors (13)	294.56	−0.4	19.92	6.42	6.87	295.86	298.24	301.14	301.36	193.08
6	Mechanical Engineering (72)	163.78	−1.1	17.61	6.29	8.15	165.54	166.56	167.29	167.24	134.01
8	Metals and Metal Forming (17)	163.43	−0.6	19.27	8.36	6.86	164.48	164.65	164.29	164.41	130.59
11	CONSUMER GOODS (DURABLE) (53)	191.09	−0.3	17.58	4.86	8.30	191.68	193.64	195.36	195.16	135.27
12	Lt. Electronics, Radio TV (16)	230.96	−0.2	15.46	3.59	9.34	231.35	233.61	235.50	235.00	152.11
13	Household Goods (12)	174.16	—	17.90	6.74	7.64	174.21	175.26	178.51	178.91	140.44
14	Motors and Distributors (25)	115.64	−0.6	20.91	6.43	7.16	116.34	117.72	118.65	118.65	88.20
21	CONSUMER GOODS (NON-DURABLE) (170)	197.88	−0.9	15.71	5.77	9.20	199.68	200.19	201.48	201.77	148.86
22	Breweries (14)	219.35	−1.1	14.83	6.04	10.22	221.79	223.77	222.50	224.22	160.56
23	Wines and Spirits (6)	240.62	−1.0	16.94	5.74	8.85	243.11	246.13	247.58	248.67	168.90
24	Entertainment, Catering (18)	258.58	−1.0	15.02	6.65	10.11	261.10	263.34	263.80	264.87	190.18
25	Food Manufacturing (22)	192.58	−0.6	20.71	5.54	6.95	193.78	193.77	194.56	194.61	162.29
26	Food Retailing (16)	197.87	−1.2	13.83	4.57	10.51	200.25	201.66	203.50	205.90	141.95
32	Newspapers, Publishing (13)	340.26	—	9.60	3.67	15.65	340.13	337.79	339.24	340.39	214.12
33	Packaging and Paper (15)	131.82	−0.3	20.02	8.82	7.18	132.21	132.65	133.29	133.91	99.56
34	Stores (38)	186.17	−1.7	10.29	4.25	15.23	189.30	190.65	193.44	192.89	123.54
35	Textiles (25)	177.05	−0.5	19.72	7.48	6.41	177.93	177.99	178.38	178.78	136.80
36	Tobaccos (3)	227.64	+0.2	21.22	7.91	6.28	227.13	222.65	224.12	224.63	220.35
37	Toys and Games (6)	104.57	+0.5	19.74	5.68	6.77	104.02	104.97	104.75	104.02	84.13
41	OTHER GROUPS (97)	190.84	−0.7	16.61	5.69	8.17	192.25	192.34	192.99	192.98	158.98
42	Chemicals (20)	252.91	−1.1	19.61	6.62	7.17	255.62	255.57	256.17	256.90	220.13
43	Pharmaceutical Products (7)	254.75	−0.5	10.80	3.89	11.88	256.13	255.40	255.77	255.59	0.00
44	Office Equipment (6)	133.43	—	19.86	4.63	6.53	133.38	134.11	134.67	132.63	91.21

[illegible]

FIXED INTEREST PRICE INDICES

[illegible]

FIXED INTEREST YIELDS

[illegible]

ART GALLERIES

[illegible]

PUBLIC NOTICES

HINCKLEY PERMANENT BUILDING SOCIETY

[illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

CLIVE INVESTMENTS LIMITED

1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at 24th January, 1978 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	135.06
Clive Fixed Interest Income	124.73

CORAL INDEX: Close 474-479

INSURANCE BASE RATES

† Property Growth	8½%
Cannon Assurance	4½%

† Address shown under Insurance and Property Bond Table

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel	§ 6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co	† 6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	7 %
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8½%
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
■ Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
■ Charterhouse Japhet	6½%	Shenley Trust	9½%
C. E. Coates	7½%	Standard Chartered	6½%
Consolidated Credits	7½%	Trade Dev. Bank	6½%
Co-operative Bank	* 6½%	Trustee Savings Bank	6½%
Corinthian Securities	6½%	Twentieth Century Bk.	7½%
Credit Lyonnais	6½%	United Bank of Kuwait	6½%
The Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Duncan Lawrie	6½%	Williams & Glyn's	6½%
Eagil Trust	6½%	Yorkshire Bank	6½%
English Transcont.	8 %		
First London Secs	6½%		
First Nat. Fin. Corpn.	9 %		
First Nat. Secs. Ltd.	8 %		
■ Antony Gibbs	6½%		
Goode Durrant Trust	7½%		
Greyhound Guaranty	6½%		
Grindlays Bank	‡ 6½%		
■ Guinness Mahon	6½%		
■ Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.
‖ 7-day deposits 3½%. Rates for Term Deposits over £1,000 negotiable.

FOOD PRICE MOVEMENTS

	Jan. 26 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,030	1,030	1,010
British A.1 per ton	1,005	1,030	1,030
Irish Special per ton	1,005	1,020	1,030
Ulster A.1 per ton†	1,005	1,030	1,000
BUTTER			
NZ per 20 lbs	10.94-11.05	10.94-11.05	—
English per cwt†	63.03	64.03	—
Danish salted per cwt†	70.15-71.43	70.15-71.60	—
CHEESE†			
NZ per tonne	1,210.50	1,161.50	—
English cheddar trad per tonne	1,219.42	1,219.42	—
EGGS*			
Home-produce:			
Size 4	3.90-4.40	3.50-4.40	—
Size 2	4.30-4.80	4.30-5.00	—

	Jan. 26 per pound p p	Week ago per pound p p	Month ago per pound p p
BEEF			
Scottish killed sides (ex-KKCF)	46.0—49.5	46.5—49.5	46.0—49.0
Eire forequarters	33.0—38.0	32.0—34.0	30.0—33.0
LAMB			
English	45.0—52.0	47.0—54.0	46.0—53.0
NZ PLs-PMs	45.0—47.0	46.0—48.0	47.0—48.0
MUTTON			
English ewes	—	—	—
PORK (all weights)	32.0—42.0	32.0—42.0	33.0—42.0
POULTRY			
Broiler chickens	30.0—34.0	30.0—34.0	30.0—34.5

* London Egg Exchange price per 120 eggs. † Delivered.
‡ For delivery January 28-February 4.

NOTES

FT SHARE INFORMATION SERVICE

AMERICANS—Continued

1977-78 High	Low	Stock	£	+ or −	Div. Gross	C'vr	Y'ld Gr's
34⅝	20	Manf. Han. US$7.50	21⅞xd	−¼	$1.92	—	4.9
48	26⅝	Morgan (JP) US$2.5	28¼xd	−1½	$2.36	—	4.0
17¼	12	Norton Simon Inc. $1	12⅝	−⅜	76c	—	3.5
25	13⅛	Owens-Ill. $3.125	14¾	−¼	h$1.06	—	4.0
22	14⅜	Quaker Oats US$5	14¼xd	−½	$1.04	—	4.0
21⅝	14½	Reliance $0.25	16¼	−⅝	15c	—	—
24	16¼	Rep. N.Y. Corp. $5	17¾	+½	$1.00	—	3.5
16⅝	10½	Rexnord $5	11⅞xc	−⅜	80c	—	4.0
22	14⅛	Richdsn.-Mrrll.$1¼	15xc	−½	90c	—	3.4
406p	247p	Saul (B. F.) $1	270p	−12	—	—	—
33⅝	18½	Shell Oil $1	20	−⅜	h$1.60	—	4.5
20⅝	11⅞	Singer ($10)	13⅜	−½	60c	—	2.5
36½	22	Sperry Rand $0.50	23xd	−1⅛	$1.12	—	2.8
33	18⅝	TRW Inc. $1¼	19⅛	−1¼	$1.60	—	4.7
31⅝	18⅜	Tenneco	19⅝	−⅜	$2.00	—	5.8
151	133	Do 10% Ln. Stk. 91-95	135	......	10%	—	17.4
14½	505p	Tesoro Pt. US$0.16⅔	557p	−33	$1.00	—	10.1
24⅞	16⅞	Texaco $6.25	17½	−⅞	$2	—	6.5
31⅛	22⅞	Time Inc.	24½	−1	$1.30	—	3.0
13⅝	865p	Transamerica $1	946pxd	−31	80c	—	4.8
34	21¼	Utd. Tech. $US5	22	−⅜	$1.80	—	4.6
41¾	19⅝	U.S. Steel $1	21¾xd	−1½	$2.20	—	5.7
19¼	938p	Vetco $0.50	14⅝xd	......	20c	—	0.8
22	11½	Woolworths $3½	12½	−⅜	$1.40	—	6.3
49½	28⅞	Xerox Corp. $1	30⅛xd	−1	$1.60	—	3.0
13⅝	385p	Xonics Inc. 10c	472p	−8	7½c	—	0.9
12¾	758p	Zapata Corp. 25c	11⅝xd	−¼	s30c	—	1.5

S.E. List Premium 32⅝% (based on $US1.9612 per £)

Conversion factor 0.7528 (0.7330)

CANADIANS

S.E. List Premium 32⅝% (based on $2.1624 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Yield Red.
101⅜	95⅝	Treasury 9pc 1978‡‡	100⅜	−⅛	8.96	5.69
104⅛	97¾	Treasury 10½pc '78‡‡	102⅜	−⅛	10.26	5.42
100⅛	90⅞	Exch. 5pc '76-78‡‡	99⅞	......	5.02	5.56
107	95⅞	Treasury 11½pc '79‡‡	104⅝	−⅛	10.99	7.12
97¾	84⅞	Treasury 3pc '79‡‡	95⅛		3.15	6.12
98¼	85⅛	Electric 4½pc '74-79	96⅛	−⅛	4.42	6.74
106⅞	92	Treasury 10½pc '79‡‡	103¼	−⅛	10.12	8.14
97⅞	84⅞	Electric 3½pc '76-79	95⅛	−⅛	3.68	6.49
107	87¾	Treasury 9pc 1980‡‡	101½xd	−⅛	8.87	8.22
105¾	88⅝	Treasury 9½pc '80‡‡	101⅞	−¼	9.33	8.58
96	82⅞	Treasury 3½pc '77-80	94	−⅛	3.72	6.25
98¼	83⅛	Funding 5½pc '78-80‡‡	95	−⅛	5.53	7.58
112⅛	96⅛	Exchequer 13pc 1980‡‡	108⅛	−⅛	12.02	9.60
108⅛	92⅛	Treasury 11½pc 1981‡‡	104⅞	−¼	10.97	9.57
94¼	77⅞	Treasury 3½pc 1979-81	90¾xd	−⅛	3.85	6.87
104	86⅛	Treasury 9¾pc 1981‡‡	100¼	−⅛	9.73	9.65
97⅛	96⅛	Exch. 8¼pc 1981	96¼	−⅛	8.57	9.55
103½	97½	Exch. 9½pc 1981	99⅛xd	−⅛	9.54	9.67
92⅛	87⅞	Exch. 3pc 1981	87⅛xd	......	3.42	6.95
98¾	96⅛	Treas. Variable '81‡‡	96⅝	......	6.51	7.38

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1977-78 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
195	70	Falcon Rh.50c	190	−5	Q50c	1.9	24.5
24	9	Rhod'n Corp. 16⅔p.	22	−2	0.57	4.3	3.9
165	52	Roan Cons. K4	55	......	—	—	—
164	115	Tanganyika 50p	135	......	Q11.0	1.1	8.2
80	70	Do. Pref. 80p	78	......	Q9%	16.4	9.2
42	27	Wankie Col. Rh.1	38	−1	Q7½c	1.4	16.8
27½	11	Zam.Cpr SBD0.24	11	−½	—	—	—

AUSTRALIAN

1977-78 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
20	10	Acmex 25c	12	......	—	—	—
127	57	Bougainville 50 Toea	70	−1	Q10c	1.5	9.1
128	69	BH South 50c	74	−3	—	—	—
325	119	Conzinc Riotinto 50c	174	−4	Q9c	2.3	3.2
65	18	G.M. Kalgoorlie $1	60	−4	—	—	—
112	77	Hamptn Areas 5p	91	+3	1.45	4.1	2.4
35	10	Metals Ex. 50c	14	......	—	—	—
242	125	M.I.M. Hldgs. 50c	134	−3	Q9c	1.7	4.2
105	10	Mount Lyell 25c	23	+2	—	—	—
2¾	1	Newmetal 10c	2	......	—	—	—
120	79	North B. Hill 50c	90	−2	Q8c	1.5	5.5
12	4½	Nth. Kalgurli	9	−½	—	—	—
144	87	Oakbridge $A1	143	−1	Q11c	1.9	4.8
55	20	Pacific Copper	36	−1	—	—	—
£13	575	Pancont'l 25c	825	−25	—	—	—
19	8	Paringa M&Ex 5p	13	......	—	—	—
555	345	Peko-Wallsend 50c	408	−17	Q15c	4.8	2.3
—	—	Poseidon 20c	75#	......	—	—	—
164	87	Westn. Mining 50c	90	−5	Q6c	1.4	4.1
75	40	Whim Creek 20c	45	......	—	—	—

TINS

1977-78 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
39	18	Amal. Nigeria	30	......	2.51	1.6	12.7
395	240	Ayer Hitam SM1	255	−5	Q416.7c	0.9	35.1
57	25	Beralt Tin	50	......	3.75	2.3	11.4
260	155	Berjuntai SM1	210	−5	†Q60c	ϕ	‡
570	260	Geevor	450xd	−10	†18.15	3.4	6.1
13	8	Gold & Base 12½p	10	......	—	—	—
325	190	Gopeng Cons.	270	......	13.2	1.9	7.5
145	72	Hongkong	145	+5	—	—	—
100	60	Idris 10p	93	......	9.14	1.0	15.4
10½	7	Jantar 12½p	10	......	—	ϕ	—
85	30	Kamunting SM0.50	70	−1	2015.5c	0.7	4.8
490	260	Killinghall	450	......	Q125	ϕ	27.8
410	217	Malay Dredging SM1	285	−10	Q95.5c	ϕ	7.2
46	40	♠Pahang	45	......	†Q2.5	0.5	5.6
70	50	Pengkalen 10p	58	......	5.58	1.3	14.6
215	133	Petaling SM1	170	−5	mQ12½c	10.9	1.6
90	35	Saint Piran	56	......	g1.99	ϕ	5.4
73	55	South Crofty 10p	56	−1	b4.12	1.5	11.2
210	77	South Kinta SM0.50	147	−3	†Q77.8c	1.4	11.4
305	148	Sthn Malayan SM1	245	−10	†Q131.3c	1.1	11.5
160	57	Sungei Besi SM1	144	......	—	—	—
*60	19	Supreme Corp. SM1	60	......	ZQ10c	—	3.6
102	42	Tanjong 15p	100	......	6.25	ϕ	9.5
95	45	Tongkah Hrbr. SM1	74	......	Q662%	1.6	16.5
203	93	Tronoh SM1	156	−6	ZQ30c	2.0	4.7

COPPER

1977-78 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
198	84	Messina R0.50	90	−6	‡Q30c	1.9	‡

MISCELLANEOUS

1977-78 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
9½	9	Burma Mines 17½p	9	......	—	—	—
115	58	Colby Mines $C1	76	−6	—	—	—
600	275	Cons. Murch. 10c	265	−25	Q30c	ϕ	‡
475	250	Northgate C$1	270	−5	—	—	—
247	173	R.T.Z.	178	−4	t8.5	q3.1	7.2
70	28½	Sabina Inds. C$1	40	......	—	—	—
£14¼	818	Tara Expln. $1	820	−30	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	121	Yukon Cons. C$1	127	......	Q7c	ϕ	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- : Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 30

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	19	......
Bdg'wtr. Est. 50p	285	......
Clover Croft	22	......
Craig & Rose £1	390	......
Dyson (R.A.)	35	......
Ellis & McHdy	68	......
Evans Fr'k 10p	59	......
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	20½	......
Graig Ship. £1	240	......
Higsons Brew	83xc	......
I.O.M. Stm. £1	142	......
Holt Jos. 25p	245	......
N'tim. Goldsmith	62	+2
Pearce (C. H.)	130	+1
Peel Mills	17	......
Sheffield Brick	47	−1
Sheff. Refrshmt.	50	......
Shiloh Spinn	19	......
Sindall (Wm.)	85	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£97⅝	−⅛
Alliance Gas	70	......
Arnott	320	......
Carroll (P.J.)	103	−2
Clondalkin	86	−1
Concrete Prods.	121xd	......
Heiton (Hldgs.)	51	−3
Ins. Corp.	175	......
Irish Ropes	110	......
Jacob	64	......
Sunbeam	27	......
T.M.G.	185	......
Unidare	70	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	20	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¾
Bowaters	16	Lex Service	7	Cap. Counties	5
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	5	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	18
Burton 'A'	13	Lonrho	7	MEPC	12½
Cadburys	5	Lucas Inds.	25	Peachey	10
Courtaulds	10	Lyons (J.)	13	Samuel Props.	10
Debenhams	10	"Mams"	7	Town & City	2
Distillers	13	Mrks. & Spncr	11	**Oils**	
Dunlop	8½	Midland Bank	25	Brit. Petroleum	35
Eagle Star	11	Nat. West. Bank	22	Burmah Oil	7
E.M.I.	18	Do. Warrants	10	Charterhall	3½
Gen. Accident	17	P & O Dfd.	10	Shell	28
Gen. Electric	18	Plessey	9	Ultramar	22
Glaxo	40	R.H.M.	5	**Mines**	
Grand Met.	9	Rank Org. 'A'	18	Charter Cons.	12
G.U.S. 'A'	12	Reed Intl.	14	Cons. Gold	20
Guardian	18	N.E.I.	10	Rio T. Zinc	16
G.K.N.	22	Spillers	4		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday January 27 1978

CALLAGHAN ISSUES BLUNT WARNING

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN last night issued a blunt warning to British Leyland that it must now solve its own problems. "Do not look to the Government for any more solutions. We have done our part. Now it's up to you."

The Prime Minister, in a speech to Birmingham Chamber of Commerce, gave his full personal backing to Mr. Michael Edwardes, the British Leyland chairman, who has been facing criticisms from both the company's management and unions.

To all "the critics snapping at his heels." Mr. Callaghan said: "Give yourselves a chance and give Michael Edwardes a break."

Putting public money into British Leyland had been an "act of faith," the Prime Minister said. "So far, the results have been disappointing."

The Government had stepped in because there was no other alternative if a major part of the British car industry and thousands of jobs were to be saved.

"Are we going to be let down?" he asked. "I make no threats about withholding funds if targets are not met. That kind of language can lead to bloodymindedness.

"But I say to everyone in Leyland that the way Nemesis will come is when you have no customers left to sell to. The country has shown faith in Leyland. Now it is up to Leyland to justify that faith from top to bottom, management and workers."

Speaking of the economy, Mr. Callaghan said that the Government intended, over the next few months, to take further decisions to stimulate industrial recovery and economic expansion.

The spring Budget would play its part, and he saw no reason to discourage the expectation of tax reductions.

Mr. Callaghan stressed that the tax cuts were the only way of dealing with one problem of incentives, by widening the gap between take-home pay and social security payments.

He warned that the prospects for Britain and the rest of the world would depend critically on the U.S. economy.

"We shall all be in the soup together if the world's trading system is disrupted by remedies that involve deflation in the American economy. I hope that America's economic policies will encourage growth in the world economy."

Two more Leyland directors resign

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE REORGANISATION of Leyland Cars, due to be announced next week, will go ahead with a completely new management team at the head of the company following the resignation yesterday of Mr. Keith Hopkins, director of sales and marketing, and Mr. Geoffrey Whalen, director of personnel.


Mr. Keith Hopkins


Mr. Geoffrey Whalen

Their decision to leave Leyland Cars comes only three weeks after Mr. Derek Whittaker, the company's managing director, announced his resignation.

All three are staying to the end of the month to help with the reorganisation being carried out by Mr. Michael Edwardes, the new chairman.

The departure of the three executives most closely associated with the re-grouping of Leyland Cars into a more integrated company suggests that they are unhappy with the emphasis Mr. Edwardes is placing on a decentralised structure.

Plans for splitting Leyland Cars into product-oriented companies, one of which will be based on the former Austin Morris business and one on Jaguar, Rover, Triumph, clearly mean alterations in the role of services such as marketing and personnel.

A fierce argument has been going on within the company as to how far these services—plus engineering—should be split and given back to the operating divisions.

Some senior executives on the Cars Organisation Committee, which the three men have been advising, support the concept of a fairly centralised structure, rather than the decentralised one proposed by Mr. Edwardes.

Mr. Whalen hinted yesterday that a measure of centralisation will continue in industrial relations.

"I am glad that the work on which we have been so heavily engaged—the job of improving industrial relations and productivity by means of simplified negotiating arrangements, logical wage structures, improved security and an incentive scheme—will go on with the full support of Mr. Edwardes and, of course, Mr. Pat Lowry" (personnel director), he said.

Despite these hopes Mr. Whalen, 42, was clearly faced with a changed and possibly reduced status.

The same applies to Mr. Hopkins, aged 49 who has had to try to sell Leyland cars for the last three years against a background of continual poor supply.

Three temporary appointments were made by Leyland last night to fill the gap left by the resignations.

Mr. Trevor Taylor, director of sales, becomes responsible for co-ordinating sales and marketing, Mr. Bill McLean, director of employee relations, takes on responsibility for personnel policies and planning, and Mr Gordon MacFarquhar, staff director of organisation and management planning, takes on employee services and training.

These positions will probably change again after the announcement of the company's new structure on Wednesday.

Mr. Edwardes, who has kept the National Enterprise Board, Leyland's main shareholder, and the Department of Industry closely informed of his plans, is then due to tell the trade unions what he wants at a conference in Birmingham.

The plans will then go to the Leyland main Board, the NEB and the Government for ratification.

●Leyland Cars has rejected complaints that it uses its size and power unfairly. The Department of Industry issued a statement last night, after correspondence with Mr. Bob Cryer, Parliamentary Under-Secretary for Industry, which says that the company "make every effort to avoid imposing terms and conditions on either small firms who are supplied or who buy from the company."

Citroen revival, Page 2

Japan's shipbuilding cuts may hit Europe

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

EUROPEAN SHIPBUILDERS could face difficult decisions on the future size of their operations as a result of plans by Japanese shipyards to scrap up to half their capacity by the end of next year.

Japan's shipbuilders now have only 9.4m. gross tons of orders on their books, representing only six months' work at present output levels.

Although the European industry and Government officials were expressing caution yesterday about the precise nature of the Japanese proposals, they were prepared to admit that the cutbacks, if carried out, would be of the utmost significance for West European shipyards.

Viscount Etienne Davignon, the EEC Industry Commissioner, has outlined a plan involving a 46 per cent. reduction in the Community's capacity by 1980. That would result in the loss of about 50,000 jobs.

Until now, however, this plan has been regarded by shipbuilders as one of Viscount Davignon's theoretical excesses; an argument bolstered by the observation that until the Japanese, with half the world market in merchant shipbuilding, cut capacity there was little point in sacrifices being made by Europe.

The direct result of these attitudes within EEC Governments and the industry has been a profusion of subsidy and soft credit measures in the face of heavy competition from low-cost shipyards in Korea and Eastern Europe. These measures are estimated by the EEC to have cost member States £380m. in 1977.

If the Japanese are in earnest about their targets for reducing capacity, there will be great pressure on the EEC to respond in kind at the next meeting of the shipbuilding working party of the Organisation for Economic Co-operation and Development in March.

Too late for small yards, Page 3

Weather

U.K. TO-DAY

RAIN moving N. and E.

Normal temperatures in S., but cold in N.

London, S.E., C. S. England, E. and W. Midlands

Cloudy with rain at times. Max. 6C (43F).

E. Anglia, E. England

Sunny with rain later. Max 6C (43F).

Channel Is., S.W. England, S. Wales

Rain, then showers. Max. 6-7C (43-45F).

N. Wales, N.W. England, Is. of Man, N. Ireland

Cloudy with rain or snow. Max. 5C (41F).

Lakes, Cent. N. and N.E. England, Borders, S.W Scotland, Glasgow, Argyll

Sunny, rain or snow later. Max. 5C (41F).

Edinburgh, Dundee, Aberdeen, C. Highlands

Bright, some showers. Max. 3-4C (37-39F).

Outlook: Wintry showers. Some sunny intervals, colder, night frost.

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	C	4	39	Montreal	R	2	36
Athens	S	15	59	Luxembrg.	Sn	0	32
Bahrain	C	19	66	Manchstr	C	5	41
Barcelona	S	15	59	Melbourne	C	30	86
Belfast	C	2	36	Mexico C.	S	22	72
Belgrade	S	8	46	Milan	S	7	45
Berlin	C	4	39	Moscow	C	−3	27
Birmghm.	S	5	41	Munich	F	3	37
Bristol	S	6	43	Newcastle	C	1	34
Brussels	C	4	39	New York	C	6	43
Budapest	F	6	43	Oslo	Sn	−5	23
B. Aires	S	23	73	Paris	C	7	45
Cairo	S	18	64	Perth	F	31	88
Cardiff	S	6	43	Prague	S	2	36
Chicago	Sn	−4	25	Reykjavik	C	−5	23
Cologne	F	5	41	Rio de J'o	S	29	84
Copnhagn	Sn	1	34	Rome	F	15	59
Dublin	F	4	39	Singapore	S	30	86
Edinburgh	Sn	0	32	Stockholm	Sn	−4	25
Frankfurt	F	3	37	Strasbg.	R	3	37
Geneva	S	4	39	Sydney	C	25	77
Glasgow	C	2	36	Tehran	R	4	40
Helsinki	Sn	−8	18	Tel Aviv	C	16	61
H. Kong	S	22	71	Tokyo	C	3	37
Jo'burg	C	21	70	Toronto	Sn	−9	16
Lisbon	F	13	55	Vienna	C	5	41
London	F	5	41	Warsaw	Sn	0	32
Madrid	S	11	52	Zurich	C	2	36

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	13	55	Jersey	S	9	48
Algiers	C	17	63	Las Plms.	F	18	64
Biarritz	R	9	48	Locarno	S	5	41
Blackpool	R	5	41	Majorca	S	14	57
Bordeaux	F	10	50	Malaga	F	17	63
Boulogne	Sl	4	39	Malta	S	16	61
Casblnca.	S	16	61	Nairobi	S	24	75
Cape Tn.	C	23	73	Naples	F	10	50
Corfu	C	14	57	Nice	S	13	55
Dubrovnik	S	12	54	Oporto	F	12	54
Faro	S	15	59	Rhodes	F	16	61
Funchal	F	16	61	Salzburg	F	5	41
Guernsey	F	7	45	Tangier	F	17	63
Gibraltar	C	17	63	Tenerife	F	13	55
Innsbruck	C	1	34	Tunis	F	18	64
Inverness	S	0	32	Valencia	F	15	59
Istanbul	R	3	37	Venice	S	6	43

S—Sunny. F—Fair. R—Rain. Sl—Sleet. Sn—Snow. C—Cloudy.

Continued from Page 1

Europe poll win

of Scottish devolution, Ministers accepted that tactical errors had been made in the handling of the Bill that would be difficult to reverse.

If not corrected at Report stage in two or three weeks' time the defeats could make creation of a Scottish Assembly unlikely. Such a failure would gravely damage Labour's electoral prospects in Scotland.

The view among senior Ministers is that a direct assault on either of the major changes in the Bill, making the referendum conditional on a 40 per cent. vote of the total electorate; and the right of the Orkneys and Shetlands to opt out of a devolved administration, would be doomed to failure.

Instead, the intention is to draft compromise amendments to meet some arguments by opponents of the Bill.

No decisions have yet been taken, but on the amendment of Mr. George Cunningham, Labour MP for Islington South, requiring a 40 per cent. vote in the referendum, there could be a reduction in the figure or a formula that would give Westminster stronger powers to reject a referendum based on too derisory a vote.

The difficulty facing the Government became immediately apparent yesterday when Mr. Cunningham's supporters made clear their determination to stand firm. Many Conservatives who abstained on Wednesday night threatened to support him next time if the Government adopted strong-arm tactics to overturn the Commons decision.

After the Cabinet meeting Mr. Michael Foot, Leader of the Commons, offered an apology to MPs about the allegations that three Government Whips and two other MPs had sought to prevent the Shetland division by "cheating."

The five, who will be "named in to-day's Hansard on the instructions of Mr. George Thomas, the Speaker, are Mr. Walter Harrison, Government deputy chief Whip: Mr. Jack Dormand and Mr. Jock Stallard, both Government Whips; and Mr. Douglas Henderson and Mr. Hamish Watt, of the Scottish National Party.

Mr Foot sought to defuse Opposition fury by saying that discussions between Whips and Nationalist MPs "were improperly prolonged" and could have affected the timing of the next vote.

"I apologise to the House that this should have occurred and I trust that it will not happen again," he added.

Hopes for early Rhodesian settlement fade

BY TONY HAWKINS SALISBURY, Jan. 26.

PROSPECTS that a Rhodesian internal settlement might be announced before the talks in Malta on Monday between the British Government and the Patriotic Front nationalist alliance diminished to-night after a day of inconclusive discussions.

These were marked by the appearance of a potentially damaging hesitancy on the part of Bishop Abel Muzorewa.

The leader of the United African National Council apparently questioned several issues at this afternoon's talks, raising a potentially particularly difficult demand that the final constitution be drafted by an all-party committee before the establishment of an interim government representing the four parties to the discussions.

Earlier, it had been reported that agreement in principle had been reached on all major issues.

The question to-night was to what extent the Bishop has reservations about the agreement and to what extent he is concerned that there could be a divergence between what is agreed "in principle" and what finally emanates in detail.

The major points agreed are for a one-person, one-vote franchise from the age of 18, with separate voting rolls for whites and blacks for the first ten years (or two elections, whichever is the longer) of "legalised" independence.

Several safeguards for the minorities (300,000 whites, coloureds, persons of mixed blood, and Asians) have been agreed, including a Bill of Rights, pension, property and job security, dual citizenship and an independent judiciary.

These safeguards are to be enshrined in the constitution in entrenched clauses which can be amended only by 78 of the 100 Members of Parliament.

It was agreed that a maximum of 100,000 white voters would elect 28 MPs and 3m. black voters the remaining 72.

Thus, any amendments would have to be acceptable not only to the 72 black MPs but to at least six whites.

Agreement was also reached on the composition of an interim administration to pave the way for legal independence.

The three black leaders and some of their top lieutenants will replace members of Mr. Smith's Government during the transition period.

It was not possible to agree on the duration of the interim administration—the whites want at least two years and the blacks insist on a maximum of nine months.

Experts from the four delegations have apparently decided that there were so many imponderables that it was probably better not to stipulate any definite timetable.

But to-night, Bishop Muzorewa, whose agreement is crucial to the whole package, was expressing reservation on some issues.

These apparently included the wording of the separate voting rolls clauses, but, more importantly, the idea that the interim government be set up as soon as possible.

The bishop suggested that the "in principle" deal should be spelt out in detailed terms before he and his party colleagues finalised the agreement and joined the interim government.

If the Bishop maintains this position, it would delay the talks seriously, to the extent that they would lose momentum.

Owen faces tough Malta talks, Page 3

EEC plans to aid the Third World

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, Jan. 26.

A NEW strategy to encourage European investment in raw materials industries in the Third World was proposed to-day by the EEC Commission. It plans to draw up formal EEC agreements with producer countries and provide investors with added protection against non-commercial risks.

Its aim is to assure the Community of more stable long-term supplies of imported raw materials, particularly minerals, while promoting the industrialisation of the poorer producer countries and strengthening their commercial and political links with the EEC.

Mining sector

The proposals, unveiled here by M. Claude Cheysson, Development Commission, are designed to meet developing countries' demands for an increased transfer of financial resources from the industrialised world. M. Cheysson hopes that they will form the basis for discussions in the stalled North-South dialogue and similar forums.

The scheme, on which EEC Governments have to express their views, exists at present only in broad outline. It envisages the negotiations by the EEC of general agreements with producer countries, laying down basic guidelines for the treatment of investments. These could be supplemented by specific measures for individual projects

M. Cheysson emphasised that the proposals were intended to complement and not replace national guarantee schemes and added that they would provide a fresh incentive for EEC direct investment in the Third World, especially in the mining sector.

He said that only 13.5 per cent of EEC mining companies' exploration budgets was spent in developing countries between 1973 and 1975, compared with 57 per cent in 1961.

M. Cheysson pointed out that private direct investment by American and EEC companies in the Third World had been stagnating in real terms for several years. New investments by U.S. and EEC companies in 1976 amounted to \$1.8bn. and \$1.2bn. respectively, about the same as in 1970 after adjustment for inflation.

Only Japan had increased its Third World investment in real terms, from \$261.5m. in 1970 to \$588m. in 1976, although the latter figure was still lower than the \$987.2m. invested in 1973.

The general agreement would set standards to be observed by European investors and host governments in the fiscal and legal treatment of investments, the transfer of income and capital and similar questions, while also establishing procedures for settling legal disputes.

In addition, specific agreements are envisaged for individual projects on a case-by-case basis. Eligible projects would have to meet criteria laid down by the EEC, involve companies from at least two EEC countries and entail a substantial capital outlay.

The EEC could also insure large investments, not already covered by national guarantees, against non-commercial risks such as war and expropriation. Although the mechanism for providing such guarantees has not been worked out, the Commission believes that they could be financed initially out of premiums paid by investors.

EEC borrowing plans, Page 2

Continued from Page 1

Swan Hunter

outfitters refused to lift an overtime ban imposed to support a long-standing claim for pay parity with the boilermakers.

All other stewards representing the 10,000 Swan Hunter manual workers gave the guarantees sought yesterday.

Mr. John Chalmers, general secretary of the Boilermakers' Amalgamation and chairman of the all-union national committee, said he was "broken-hearted" by the rejection of confederation officials' joint plan for restoring peace.

Recriminations on the Tyne could make it doubly difficult for union leaders to set up a working party on Swan Hunter's pay problems, under an independent chairman. This is an attempt to stop leapfrogging pay claims by establishing a common settlement date for all 10,000 manual workers, and to end rows about pay differentials by devising a common wage structure.

Last night, Swan Hunter draughtsmen gave a warning that they would not hand over plans for the seven Polish ships originally earmarked for the Tyne without the promise of a secure future from British Shipbuilders.

Mr. Michael Casey, British Shipbuilders' chief executive, signed the final building contracts yesterday in Szczecin, naming Govan, Robb Caledon, Smith's Dock and Scott Lithgow as the yards for 23 of the 24 vessels involved in the order.

The last vessel, a 4,400-tonne bulk carrier, has not been assigned to a yard, but the privately-owned Ailsa company of Troon is hoping that it will get the ship after a promise last year by the Government that the private sector would not be excluded from the order.

This position is complicated by the fact that Ailsa's shareholders are canvassing the Government to buy it out and make it part of British Shipbuilders.

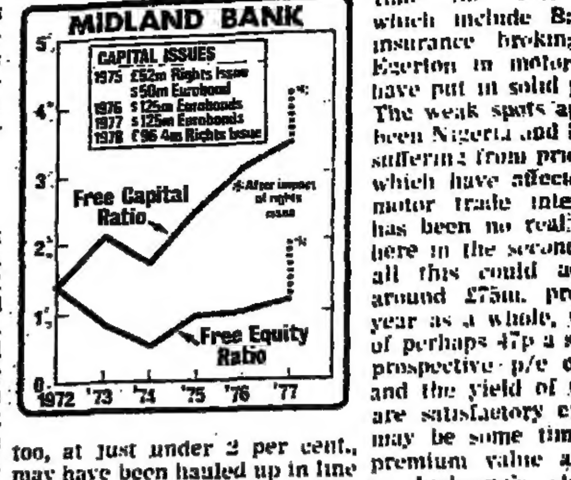
Even with the building contracts signed, British Shipbuilders remains free to renegotiate the placement of ships with the Poles—a freedom which will be useful should any yard fail to keep to its promised delivery dates and which may still be used to bring Swan Hunter in on the deal if its labour difficulties can be resolved.

THE LEX COLUMN

Midland jumps the rights issue gun

The discount market has become accustomed to signals from the Bank of England before Thursday afternoon, but the Bank took its time this week. The forces acting towards a cut in MLR in any case had seemed slight, and sentiment in the gilt-edged market continued to deteriorate yesterday.

Index fell 7.4 to 475.8



Midland Bank

Commercial Union took just over three years to come back for a second rights issue last November. It has taken Midland Bank just under three years. The last time Midland waited until its full profit figures were available before pushing the rights issue button; this time it has announced the issue scarcely before the ink has dried on the 1977 profit estimate.

The issue was unexpected and the timing poses a number of questions. Maybe Midland was keen to jump in ahead of another possible clearing bank issue—prior to yesterday Barclays seemed the most obvious candidate since it had not participated in the 1975-76 bout of bank equity raising. Does Midland's move indicate that it expects a surge in balance sheet growth over the next year or two and, if so, where does this leave the other clearing banks? Whatever the answers, bank shares fell sharply on the news—Midland closed 27p lower at 370p—and the sector index fell by 3½ per cent.

Midland's move has been accompanied by a modest boost in dividend, and pre-tax profits of the order of £190m. (against £166.4m.) are slightly better than expected, given the current depressed conditions. However, like Commercial Union, Midland is a large financial institution whose balance sheet ratios have been under pressure since the early 1970's. Until now it has had one of the weakest bank balance sheets. The need for the issue to some extent reflects the excessively high prices Midland paid for Montagu Trust, Drayton and Thos. Cook earlier in the decade. Midland has also been the greediest U.K. bank in the Eurobond market, borrowing \$300m. over the last two and a half years.

The position now after two rights issues is that Midland's ratio of free capital to deposits is 4.2 per cent., probably above the average for the clearers. A feature of Midland has been the low free equity ratio and that too, at just under 2 per cent., may have been hauled up in line with the norm.

Midland's recent above average performance has been largely due to the improvement of its non-banking interests, such as Bland Payne, and the real question now is whether it can continue to out-perform the others. It has been aggressively building up its U.K. market share by undercutting its rivals, but it is still unclear whether increased volume will offset the lower margins. Meanwhile, it is expanding its international banking business but here margins are also slim—especially in the Euromarkets.

Inchcape

Inchcape's modest 5 per cent. advance to £34.4m. after six months disappointed the market—the shares fell 20p to 360p—but the underlying growth is better than it looks. Adverse currency changes have cut £3m. off the interim profits compared with the rates used last time, and given that December 31 rates will apply to the full year's results (overseas subsidiaries are consolidated a quarter in arrears) the impact will be fairly close to £6m. for 1977-78 as a whole. Secondly, the important Nigerian subsidiaries, as well as trading in more difficult conditions, have been reduced to the status of 40 per cent. owned associates. This has hit the group pre-tax figures, although the former local minority interest has also been removed, and net attributable profits, on a slightly lower tax charge, are up by 22 per cent.

Trading has remained generally healthy, with the important Middle East area (which contributed £18.2m. out of £73.4m. pre-tax last year) still making good progress while the activities based in Hong Kong have also shown growth. Meantime the U.K. subsidiaries which include Bain Dawes in insurance broking and Mann Egerton in motor distribution, have put in solid performances. The weak spots appear to have been Nigeria and Malaysia, both suffering from price restrictions which have affected Inchcape's motor trade interests. There has been no real improvement here in the second half. What all this could add up to is around £75m. pre-tax for the year as a whole, with earnings of perhaps 47p a share giving a prospective p/e of 7.5. That, and the yield of 6.4 per cent. are satisfactory enough, but it may be some time before any premium value again attaches to Inchcape's sterling hedge characteristics.

Reed Intl.

Reed International's retrenchment continues apace. Disposals so far this financial year amount to around £30m., and it now emerges that negotiations are at an advanced stage for the sale of its main South African interests.

These are a 62 per cent. holding in Reed Nampak, a quoted company acquired two years ago at an overall cost of £31m., and a half share in a loss-making paper mill. The latter's gross assets of about £41m. are largely financed by debt, half of which is guaranteed by Reed.

The current market value of the Reedpak holding is around £27m. So it seems more likely than not that any disposal will result in a net book loss, even though the proceeds may not necessarily have to come out via the blocked rand discount which would take out a further chunk. However, any loss will be modest in the context of the group's net tangible assets of £230m. or so. Much more important is the potential impact on cash flow — Reedpak, although very profitable, produced only modest dividend income—and on the gearing ratios.

As a result of currency movements, a scaled-down investment programme and the disposals so far, Reed's total borrowings may have fallen to under £400m., compared with about £435m. last March. Meanwhile the shares have at last pulled out of their nose-dive in the past month or two.

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